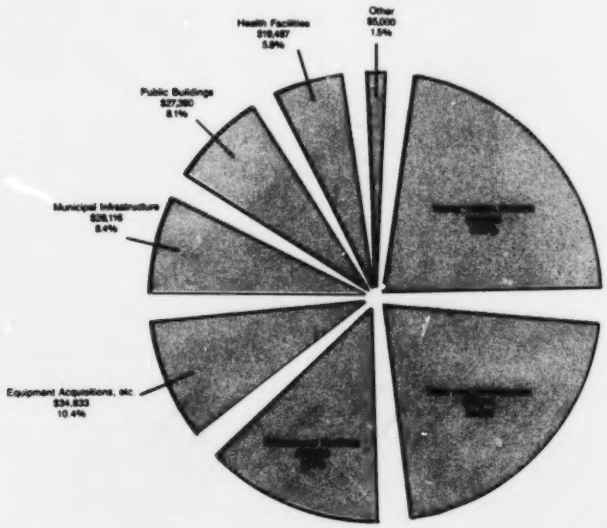
NEWFOUNDLAND and LABRADOR

BUDGET HIGHLIGHTS

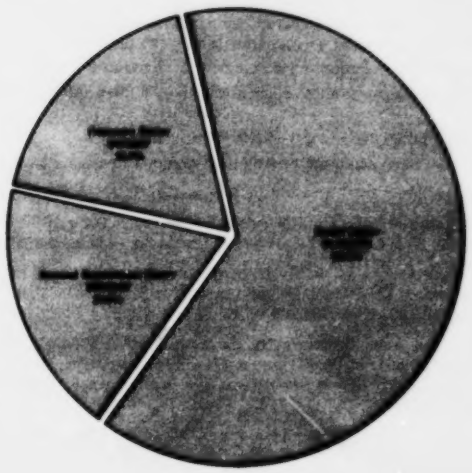
1987

SUMMARY OF GROSS CAPITAL ACCOUNT EXPENDITURE
(By Category)



Percentage of Total		Category of Capital Expenditure	Amount ($000)	
Revised 1986-87	Estimate 1987-88		Estimate 1987-88	Revised 1986-87
		Expenditure:		
32.1	25.8	Transportation Projects	86,803	84,800
17.1	24.9	Resource Development	83,741	45,343
16.3	15.1	Educational Facilities	50,698	43,020
10.1	10.4	Equipment Acquisitions, etc.	34,833	26,850
8.5	8.4	Municipal Infrastructure	28,116	22,373
7.4	8.1	Public Buildings	27,380	19,547
8.0	5.8	Health Facilities	19,467	21,110
0.5	1.5	Other	5,000	1,372
100.0	100.0	**Total: Expenditure**	336,038	264,415
		Sources of Financing:		
15.4	20.0	Government of Canada Revenues	67,328	40,746
5.3	19.4	Provincial Revenues	65,147	13,965
79.3	60.6	Financial Requirement	203,563	209,704
100.0	100.0	**Total: Sources**	336,038	264,415

SUMMARY OF GROSS GOVERNMENT EXPENDITURE
CURRENT and CAPITAL
(By Sector)



(TOTAL EXPENDITURE: $2,825,060,000)

GROSS GOVERNMENT EXPENDITURE

	Estimate 1987-88 ($000)	Percentage of Total %
Sector Expenditure		
General Government	607,249	21.5
Resource	463,937	16.4
Social	1,753,874	62.1
Total: Expenditure	2,825,060	100.0
Source of Financing		
Provincial Revenues	1,244,780	44.1
Government of Canada Revenues	1,204,044	42.6
Financial Requirements	376,236	13.3
Total: Financing	2,825,060	100.0

GENERAL GOVERNMENT SECTOR

	Estimate 1987-88 ($000)	Percentage of Total %
Consolidated Fund Services	493,316	17.5
Executive Council	9,565	0.3
Finance	48,555	1.8
Legislature	8,167	0.3
Public Works and Services	46,656	1.6
Total: General Government Sector	607,249	21.5

SOCIAL SECTOR

	Estimate 1987-88 ($000)	Percentage of Total
Career Development and Advanced Studies	209,803	7.4
Consumer Affairs and Communications	2,586	0.1
Culture, Recreation and Youth	35,707	1.3
Education	457,596	16.2
Health	651,044	23.0
Justice	86,057	3.1
Labour	7,837	0.3
Municipal Affairs	109,852	3.9
Social Services	191,990	6.8
Total: Social Sector	1,753,874	62.1

RESOURCE SECTOR

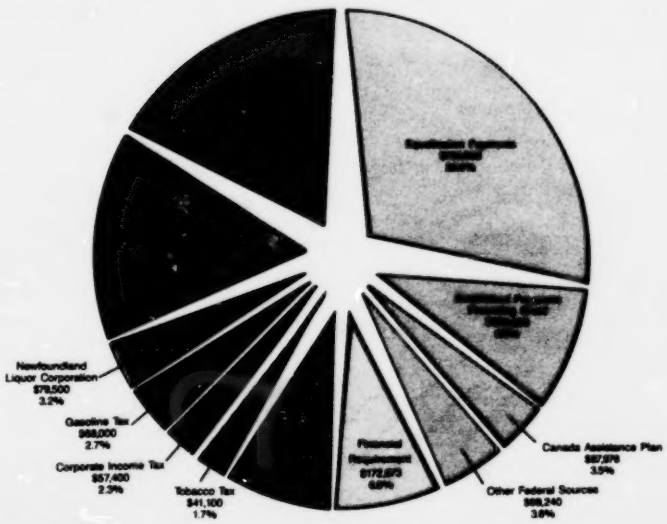
	Estimate 1987-88 ($000)	Percentage of Total
Development and Tourism	43,929	1.6
Energy	79,903	2.8
Environment	9,705	0.3
Fisheries	30,969	1.1
Forest Resources and Lands	36,375	1.3
Mines	14,275	0.5
Newfoundland and Labrador Housing Corporation	13,925	0.5
Rural, Agricultural and Northern Development	39,014	1.4
Transportation	195,832	6.9
Total: Resource Sector	463,937	16.4

BUDGET HIGHLIGHTS — 1987

- The main elements of the 1987-88 Budget strategy are:
  - — Adoption of a plan, in conjunction with Federal Government support, to reduce substantially the budgetary requirements over the next few years;
  - — Avoid major tax increases and major new tax measures;
  - — Institute measures to promote economic activity and encourage private sector investment;
  - — Provide additional support for employment creation;
  - — Contain existing expenditure programs at minimal operating levels.
- The Budget outlines a total expenditure program of $2,825,060,000.
- Government's net budgetary requirements will be $376,236,000 and the debt retirement requirement will be $262,337,000, for a total borrowing requirement of $638,573,000.
- Government is projecting a Current Account requirement of $172,673,000 in 1987-88, with expenditures of $2,489,022,000 and revenues of $2,316,349,000, versus a Current Account requirement of $40,904,000 in 1986-87.
- Total gross Capital expenditures in 1987-88 are forecast at $336,038,000 versus gross capital expenditures of $264,415,000 in 1986-87, while net capital expenditures are forecast at $203,563,000 in 1987-88 versus revised net capital expenditures in 1986-87 of $209,704,000.
- To stimulate employment, Government will be allocating $44,000,000 in funding, as follows:
  - — An amount of $29,000,000 for the Community Development Program to create short term employment for up to 13,500 people;
  - — An amount of $2,500,000 for the Federal/Provincial Employment Enhancement Program to hire up to 1,500 social assistance recipients;
  - — An amount of $7,500,000 for the Provincial Employment Initiatives Program to enable Government Departments to hire up to 3,600 unemployed individuals on high priority resource related projects;
  - — An amount of $5,000,000 for the Private Sector Employment Initiatives Program to enable private companies to share, on a 50/50 basis, the cost of hiring up to 2,400 individuals, with primary emphasis on training related jobs.
- Government has adopted, primarily through Newfoundland and Labrador Development Corporation, initiatives to promote entrepreneurship and business financing inclusive of:
  - — An amount of $2,000,000 is committed for a renewed Business Equity program;
  - — An allocation of $1,000,000 will be provided for the Venture Capital program;
  - — Qualified new small businesses establishing in the Province will be exempt from corporate income tax for three years;
  - — A new Youth Entrepreneurship program is to be funded in the amount of $500,000;
  - — Newfoundland and Labrador Development Corporation and the Rural Development Authority will be given $1,000,000 and $1,500,000 respectively to expand their financing programs to the service sector.
- Government has earmarked over $49,000,000 to be spent in 1987-88 for new and ongoing initiatives and projects to be funded under the Offshore Development Fund.
- Government has allocated $19,500,000 for loans and grants to help finance the $144,000,000 Hope Brook Gold Inc. gold mining development.

SUMMARY OF CURRENT REVENUES (By Source)

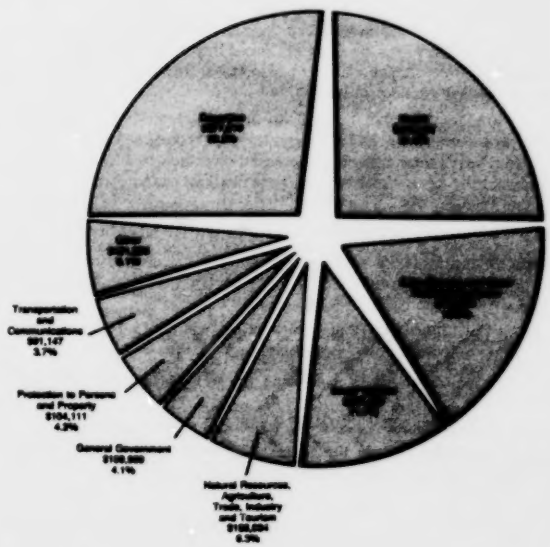
WHERE THE MONEY COMES FROM



Percentage of Total		Source	Amount ($000)	
Revised 1986-87	Estimate 1987-88		Estimate 1987-88	Revised 1986-87
		Provincial:		
18.3	17.5	Retail Sales Tax	436,000	415,500
12.4	13.0	Personal Income Tax	322,300	283,259
3.2	3.2	Newfoundland Liquor Corporation	79,500	73,000
2.9	2.7	Gasoline Tax	68,000	65,200
2.9	2.3	Corporate Income Tax	57,400	65,398
1.8	1.7	Tobacco Tax	41,100	40,500
7.2	7.0	Other Provincial Sources	175,333	164,414
48.7	47.4	**Total: Provincial**	1,179,633	1,107,271
		Government of Canada:		
32.4	29.6	Equalization Payments	735,000	738,000
10.0	9.0	Established Programs Financing Grant	224,500	226,600
3.9	3.5	Canada Assistance Plan	87,976	89,241
3.2	3.6	Other Federal Sources	89,240	71,965
49.5	45.7	**Total: Government of Canada**	1,136,716	1,125,806
98.2	93.1	**Total: Current Revenues**	2,316,349	2,233,077
1.8	6.9	**Financial Requirement**	172,673	40,904
100.0	100.0	**Total**	2,489,022	2,273,981

SUMMARY OF CURRENT ACCOUNT EXPENDITURE (By Function)

WHERE THE MONEY GOES



Percentage of Total		Function of Expenditure	Amount ($000)	
Revised 1986-87	Estimate 1987-88		Estimate 1987-88	Revised 1986-87
		Expenditure:		
22.9	23.2	Education	577,019	519,916
22.5	21.9	Health	545,802	511,039
19.0	18.8	Debt Charges and Other Financial Expenses	466,951	432,168
12.1	11.7	Social Welfare	291,405	276,118
5.7	6.3	Natural Resources, Agriculture, Trade, Industry and Tourism	158,034	129,341
4.0	4.1	General Government	100,820	92,184
4.3	4.2	Protection to Persons and Property	104,111	98,265
3.9	3.7	Transportation and Communications	91,147	88,077
5.6	6.1	Other	151,533	126,873
100.0	100.0	**Total: Expenditure**	2,489,022	2,273,981

BUDGET HIGHLIGHTS — 1987

- Funding has been provided as follows to commence the new Community College System and related training initiatives for the Institutes and Colleges:
  - An allocation of $1,700,000 for increased operations funding and $1,000,000 in increased equipment funding;
  - An amount of $1,000,000 to commence construction of a $3,000,000 extension and renovation project at the Fisher Institute in Corner Brook and $2,000,000 for other capital project initiatives; An allocation of $9,500,000 from the Offshore Development Fund to finance training initiatives and projects.
- In addition to the ongoing $8,800,000 middle distance vessel construction program at Marystown Shipyard, Government has allocated $2,000,000 of its $10,500,000 commitment towards a four year program to construct up to seven new trawlers at Marystown Shipyard for Fishery Products International, with the total cost of these trawlers estimated to be in excess of $60,000,000.
- An increase of 4% is provided for Social Assistance recipients to take effect May 1, 1987.
- Annual increases ranging from 3% to 10%, depending on the date of retirement, will be granted to public service pensioners, effective April 1, 1987, with a minimum increase of $240.
- Government will be providing, through guaranteed loans, $25,000,000 in municipal loan approvals for paving and water/sewer projects.
- Government has earmarked significant funding for transportation related projects inclusive of:
  - An allocation of $40,000,000 for a 100% Provincial construction program;
  - An allocation of $36,100,000 for the Federal/Provincial Highways Agreement;
  - Funding of $3,000,000 to commence construction of a Motor Vehicle Registration Building in Mount Pearl.
- Government has approved a total of $18,000,000 for various health care capital projects.
- The Budget contains the following revenue generating measures:
  - The Insurance Companies Tax is to be increased from 3% to 4% effective immediately, to generate $2,800,000 annually;
  - The Corporation Capital Tax is to be increased from 1½% to 2% effective immediately, to generate $700,000 additional revenue;
  - Newfoundland Liquor Corporation has been authorized to increase its profit margin, on spirits and wines only, to yield an additional $1,000,000;
  - Certain fees and licenses will be increased.
- The Government plans to vigorously pursue with the Federal Government measures to address the economic and financial disparities which exist between this and other Provinces.
- Initial measures in Government's plan to improve the Province's Current and Capital Account positions over the next several years include:
  - A three year freeze on construction of nursing homes, new hospitals and major renovations to hospitals, new public buildings, Memorial University buildings and the freezing at current budget levels of funding for water/sewer facilities, paving projects and non-cost shared road construction;
  - A program of privatization of various Government assets;
  - A full review of the efficiency and effectiveness of Government operations to be conducted by a senior expenditure review Committee and external efficiency experts.

NEWFOUNDLAND and LABRADOR

1987 BUDGET

ENTREPRENEURSHIP AND BUSINESS FINANCING A NEW FOCUS

EQUITY FINANCING INITIATIVES

Business Equity Program
Newfoundland and Labrador Development Corporation

This new program will make available direct equity capital investments in new or expanding enterprises, on a non-sectoral basis, where the controlling interest is held by Newfoundland and Labrador residents. The program is structured to match client equity investments up to dollar for dollar with a minimum investment of $10,000 required by the client. Investment terms and conditions will be flexible in order to respond effectively to the nature of the business proposal.

Venture Capital Program
Newfoundland and Labrador Development Corporation

NLDC's Venture Capital Program provides interest-free loans to newly created venture capital companies to encourage and support joint ventures by local companies where financial, technical and management skills and resources can be brought together in the pursuit of new business opportunities. This program is now being made available on a non-sectoral basis and will be aggressively promoted particularly in support of Newfoundland companies engaged in industrial technology services for marine industries and offshore petroleum development.

Newfoundland Stock Savings Plan

Government is forming a Task Force, including representatives from both Government and the private sector, to assess the feasibility of a Newfoundland Stock Savings Plan and to provide a detailed report to Government this Fall. Government is seriously considering introducing such a plan as a means to stimulate individual investors to make direct equity investments in Newfoundland businesses in the Province, and thereby provide these businesses with badly needed capitalization. The Task Force will be asked to consider various options such as a provincial personal income tax credit versus a tax deduction; variable levels of permitted investments; and various types of eligible corporations. This incentive would only apply to purchases of newly issued treasury stock of companies.

The Task Force is being asked to report back in sufficient time so that Government will be in a position to make a final decision on the plan for possible implementation in the 1988 taxation year.

Corporate Income Tax Holiday

In order to stimulate an increase in the level of earnings retained by new small business corporations, and thereby encourage business expansion and job creation, Government will be giving a tax holiday on active business income for a period of three years. This is a holiday from provincial corporate income taxes.

The tax holiday will apply to new Canadian-controlled private corporations that are not associated with any other corporations now carrying on business in Canada. The holiday will apply to that portion of the first $200,000 of eligible active business income allocated to the Province pursuant to Part IV of the Federal Income Tax Regulations in each of the qualifying years. Eligibility requirements are being developed.

The program will be offered for two years and will apply to the first three taxation years of corporations incorporated under The Business Corporations Act (Newfoundland) after April 2, 1987 and before April 3, 1989.

ENTREPRENEURIAL SUPPORT INITIATIVES

Entrepreneurial Training Services

Government recognizes entrepreneurship as a credible career path and is actively working to create an environment which encourages the development of new entrepreneurs. Government is establishing a provincial training network with a mandate to provide and develop entrepreneurial training across the Province. Entrepreneurial courses will be available this Fall to all students registered in diploma- and certificate-level programs at the Cabot Institute of Applied Arts and Technology and the Newfoundland and Labrador Institute of Fisheries and Marine Technology in St. John's and the Fisher Institute of Applied Arts and Technology, Corner Brook. Courses will also be offered at all campuses of the Avalon Community College, the Eastern Community College, the Central Community College, Western Community College and the Labrador Community College.

Some courses are already being provided by our training institutions including a two-year program in entrepreneurial studies at the Bay St. George campus of the Western Community College; a forty-week training program at the Cabot Institute of Applied Arts and Technology; and short entrepreneurial-type courses directed towards various aspects of the fishery at the Newfoundland and Labrador Institute of Fisheries and Marine Technology.

The MUN School of Business through the P. J. Gardiner Institute is also providing entrepreneurial-related counselling/consulting services, teaching expertise and research.

One-Stop Information Services

A concerted program is being developed by Government to provide one-stop information services throughout the Province. Based on the development of NLDC's Business Resource Center, this service, supported by an electronic service network, will enable entrepreneurs to obtain up-to-date information on Government programs and support services. When fully operational it will provide a wide range of information on markets, new investment opportunities, new and emerging technologies, and other relevant business data. This information service is intended to encourage new venture formation as well as enhance the competitiveness of existing businesses in a rapidly changing business environment.

Business Support Services
Newfoundland and Labrador Development Corporation

An expanded Business Support Services Group is being developed within NLDC to provide sustained market, technical and financial counselling to the Corporation's client base. These services will be aimed at reducing the business failure rate during the critical start-up period for new ventures or expansions thereby reducing the human and financial costs of business failures.

A NEW FOCUS . . .

The Government of Newfoundland and Labrador currently provides a broad range of business support programs through loan financing, grants, tax-related incentives, technical and market assistance and local preference procurement policies. Despite the success of these programs, high rates of unemployment continue to prevail.

In a renewed thrust to create new job opportunities, Government is focusing new efforts in three areas:

- The stimulation of equity capital financing in order to help improve the undercapitalized position of many businesses in the Province, where undercapitalization is a constraint to expansion, and to assist and encourage the start-up of new enterprises.

- The adoption of a non-sectoral approach to enterprise and job creation to include services as well as manufacturing and processing.

- The enhancement of an environment for the development of new entrepreneurs in the Province.

- **Business Equity Program**
- **Venture Capital Program**
- **Newfoundland Stock Savings Plan**
- **Corporate Income Tax Holiday**
- **Youth Entrepreneur Program**
- **Extension of Loan Programs**
- **Entrepreneurial Training Services**
- **One-Stop Information Services**
- **Business Support Services**

LOAN FINANCING INITIATIVES

Youth Entrepreneur Program
Newfoundland and Labrador Development Corporation

This program is designed to provide start-up support to young entrepreneurs and to complement the entrepreneurial training initiatives being undertaken by the Department of Career Development and Advanced Studies. Under this program young entrepreneurs between the ages of 18 and 30 wishing to undertake new permanent small businesses in the Province will be provided financial assistance by way of loans up to a maximum of $20,000 per enterprise. These loans will be offered under flexible arrangements designed to respond to unique start-up problems.

Extension of Loan Programs
Newfoundland and Labrador Development Corporation and The Newfoundland and Labrador Rural Development Authority

The very successful loan financing programs offered by NLDC and the Newfoundland and Labrador Rural Development Authority are being extended, with few restrictions, to all sectors of the economy. These non-sectoral loan programs will form a key part of an enhanced environment for the development of new business opportunities.

EQUITY AND LOAN PROGRAMS

	BUSINESS EQUITY	VENTURE CAPITAL	YOUTH ENTREPRENEUR	TERM LOANS	
ADMINISTERED BY:	NLDC	NLDC	NLDC	NLDC	RAND
ELIGIBILITY:	- Non-sectoral - NFLD based business/ resident control - Start-up/modernization/ expansion or stabilization - Fixed assets/supplemental working capital	- Non sectoral - NFLD based business - Start-up/modernization/ expansion or stabilization - Fixed assets/supplemental working capital	- Non-sectoral - NFLD based business/ resident control - New venture - Fixed assets/ working capital	- Non-sectoral - NFLD based business - Start-up/modernization expansion or stabilization - Fixed assets/supplemental working capital	- Non-sectoral - NFLD based business - Start-up/modernization/ expansion - Fixed assets/supplemental working capital
LIMITS:	- Matches the applicant investment up to dollar for dollar - Minimum investment $10,000. Investments over $250,000 require Ministerial approval - NLDC participation not to exceed 49% of voting interest	- Matches the applicant investment dollar for dollar - Minimum investment $25,000/ maximum $1,000,000	- NLDC debt to applicant investment ratio not to exceed 2:1 - Maximum loan $20,000	- Generally over $50,000 - Total term debt to applicant investment not to exceed a ratio of 4:1 - Capital cost of up to $2,500,000. Loans in excess of $1,500,000 require Ministerial approval	- Maximum $50,000 - A 10% cash commitment is required
TERMS:	- Flexible, depending on requirements & cash flow - Maximum 5 years	- Maximum 12 years	- Flexible depending on requirements & cash flow - Maximum 5 years	- Flexible depending on assets to be financed and cash flow - Maximum 15 years	- Flexible depending on assets to be financed and cash flow - Maximum 15 years
RATE:	- Comparative with conventional term lending rates; or - Return based on fair market value	- Interest free for the first 7 years - Comparative with conventional term lending rates thereafter	- Comparative with conventional term lending rates	- Comparative with conventional term lending rates	- Prime minus 3%
RESTRICTIONS:	Certain business activities such as real estate development, financial agencies and professional services may be excluded. Refer to detailed program guidelines.				

KEY: NLDC — NEWFOUNDLAND AND LABRADOR DEVELOPMENT CORPORATION LIMITED

RAND — DEPARTMENT OF RURAL, AGRICULTURAL, AND NORTHERN DEVELOPMENT

NEWFOUNDLAND AND LABRADOR

BUDGET

1987

Presented by

The Honourable John F. Collins, F.R.C.P.(E.)
Minister of Finance

87-03483/

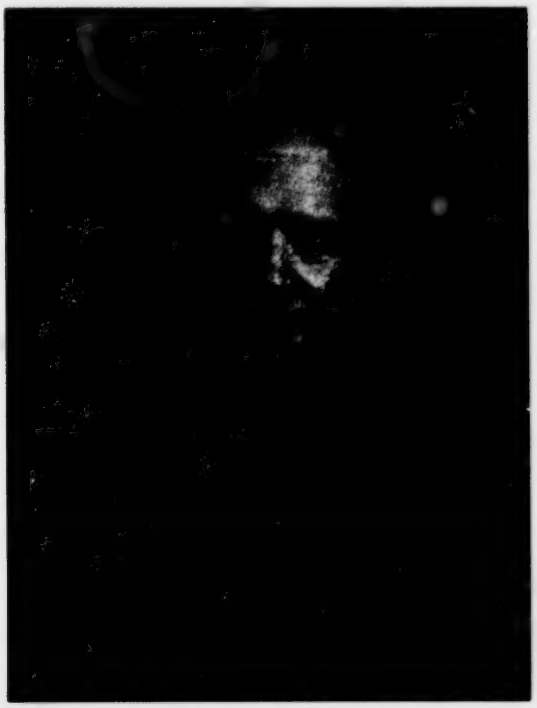
COVER:

A logo developed for use by the Tourism Branch of the Department of Development and Tourism in advertising and promotional literature directed to the potential visitor to Newfoundland and Labrador.

The Viking ship is reflective of the L'Anse aux Meadows world historic Viking site — the ocean, our seagoing heritage and the sun, the first sign of dawning in North America.

1987 BUDGET

NEWFOUNDLAND AND LABRADOR



PRESENTED BY

THE HONOURABLE JOHN F. COLLINS, F.R.C.P.(E.)
MINISTER OF FINANCE

AT THE
THIRD SESSION OF THE FORTIETH GENERAL ASSEMBLY
OF THE HOUSE OF ASSEMBLY

THURSDAY, APRIL 2, 1987

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BUDGET HIGHLIGHTS — 1987 (Cont'd)

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  - A three year freeze on construction of nursing homes, new hospitals and major renovations to hospitals, new public buildings, Memorial University buildings and the freezing at current budget levels of funding for water/sewer facilities, paving projects and non-cost shared road construction;
  - A program of privatization of various Government assets;
  - A full review of the efficiency and effectiveness of Government operations to be conducted by a senior expenditure review Committee and external efficiency experts.

MR. SPEAKER,

Budgets are a composite or amalgam of projections, and accordingly are based on a series of assumptions.

In March last year, in the Budget Speech to this Honourable House, I stated that our Budget would bring "good news" to the people of the Province. That comment was based on certain assumptions as to the unfolding of economic events over the twelve months ahead, ending on March 31st just past.

MR. SPEAKER,

I am happy now to say that our assumptions were substantially correct. Our total economy grew by about 2% in real terms, the latest Statistics Canada information shows a year-over-year increase in employment of 2.8%, the inflation rate in the Province as reflected by Statistics Canada in the St. John's CPI came in at 3.0% or 1.1% below the Canadian average, mortgage rates have declined 1%, retail trade increased by 6.1%, and so on.

Strictly from the Provincial Government's own financial perspective, in the Budget Speech I estimated a likely Current Account deficit of $49.3 million and on Capital Account a borrowed money expenditure of $238.3 million. Honourable Members, to a woman and a man no doubt, will be delighted to hear now that, in fact, our year-end Current Account deficit was $40.9 million or $8.4 million less than estimated, and our Capital Account borrowings were lower by $28.6 million at $209.7 million for a total budgetary requirement for 1986-87 of $250.6 million, instead of $287.6 million as estimated last March, 1986.

MR. SPEAKER,

Despite last year's performance, the Province is in an increasingly difficult position. Our economy remains weak while other provinces strengthen and prosper. Our employment picture is a national disgrace. We are suffering net outward population migration, largely because of economic circumstances. Aggregate income, business investment and Federal spending in the Province fall short of our needs to the extent that "tight money" persists and retards development potentials.

These conditions exist at the thirty-eighth anniversary of our confederating with the rest of Canada, a milestone passed only two days ago. The simple fact remains that the undoubted social benefits of the Act of Union have not been matched with economic gains, anywhere nearly sufficient to raise us to an acceptable Canadian standard of living. Improvement is so slow, under current Federal/Provincial interaction, that a position of equity will not be attained within a foreseeable time span.

This harsh assessment, at the outset of our thirty-ninth year in Confederation, is confirmed by an array of factual evidence which allows for no other interpretation.

MR. SPEAKER,

Our Government has been grappling with the enormous problem of our chronic economic disparity ever since attaining office, and never more so than during this past year of some progress. We anticipate grappling with it for a number of years ahead. For the year immediately before us, we anticipate extremely trying and testing circumstances, particularly for the financial status of the Government itself in its role as the deliverer of the vast bulk of public services needed by our people.

For these reasons, Government has decided to use the presentation of this Budget Speech to lay out, in as clear terms as possible, all relevant details of our economic progress since becoming a Province of Canada, with particular emphasis on the past five years or so since the onset of the recent deep recession. Our present is rooted in our past, and our future would only be different and more fulfilled to the extent that we learn from it the ways to improve on our performance.

There is, for our expressed purpose, a virtual mountain of historic economic data available, Mr. Speaker, and in order to render it intelligible in the short time available, I will concentrate on certain elements or indices.

The indices I have chosen make comparisons with the related Canadian situation as a whole, and with other areas such as the Maritime Provinces, so as to give some rational context for the data themselves. They are expressed by graphs and tables in the printed text.

GROSS DOMESTIC PRODUCT

Newfoundland and Labrador entered Confederation, in 1949, with the lowest level of output of goods and services, on a per capita basis, of all Canadian Provinces. For example, in 1949 the GDP index level was 47% on a scale of 100% for all provinces combined. That constituted a huge gap, and over the years many, and variously successful, projects and programs were undertaken by the two previous and the present Administrations, in order to close it. Regrettably, today the gap remains as wide as ever, for all practical purposes. *(See Charts I and II).*

In the intervening thirty-eight years, the actual output of goods and services increased greatly, of course, in comparable real terms, more than doubling; but the other provinces also moved ahead, so that in 1986, the per capita GDP gap still left us at only 58% of the Canadian average, a mere eleven percentage points better off than 1949, but still far behind.

In 1961, Newfoundland and Labrador's per capita GDP trailed the Maritime average by twelve percentage points, whereas in 1986 the gap was nearly nine percentage points. Some small progress after twenty-five years, but what is worrisome is that, since 1981 a new widening of our GDP gap with the Maritime average has occurred.

EMPLOYMENT

The employment status of the workforce is usually expressed in terms of the Unemployment Rate.

In many ways, a more informative and realistic view of employment is gained by a study of the Employment / Population ratio, which gives the proportion of people employed at any one time among the adult population fifteen years of age and older, inclusive of both sexes and whether work is being actively sought or not. *(See Chart III).*

The following ratios apply to the period 1975 to 1986: Ontario has advanced from 60% in 1975 to 64%; the Canadian average has moved up two percentage points to 59% by 1986; the Maritime average and our Province remained virtually unchanged throughout at 51% and 42% respectively.

Thus, we have one-third less of our working-age population in remunerative employment than Ontario, and approximately 10% less than the Maritimes.

As studies by the Royal Commission on Employment and Unemployment show, lack of a desire to work is not a significant factor in this Province, or probably elsewhere; it is the availability of remunerative employment which is a determining factor, and this is obviously where the Newfoundland economy is disadvantaged in relation to other areas of Canada.

CHART I

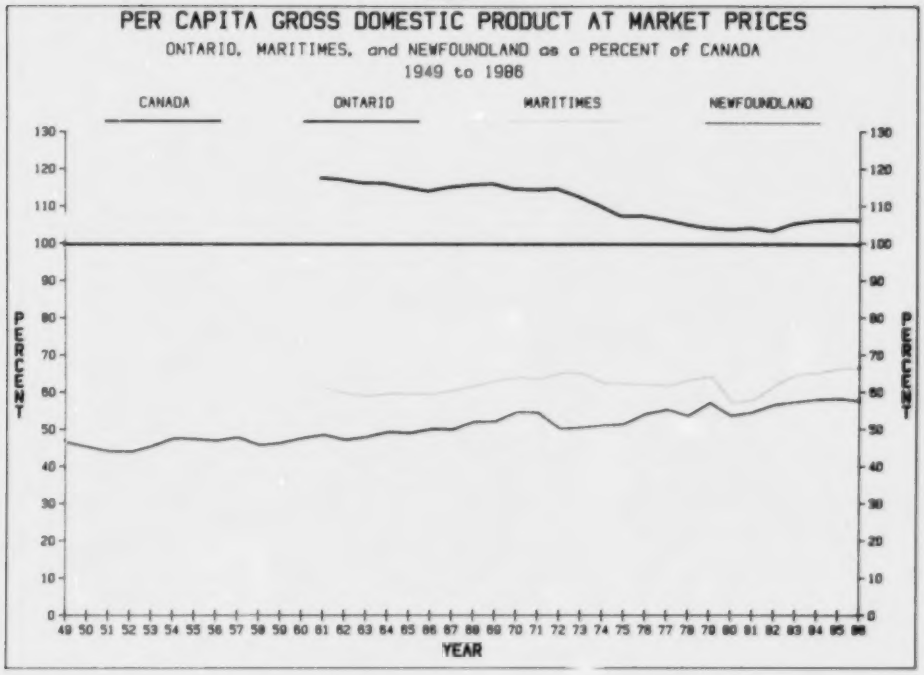


CHART II

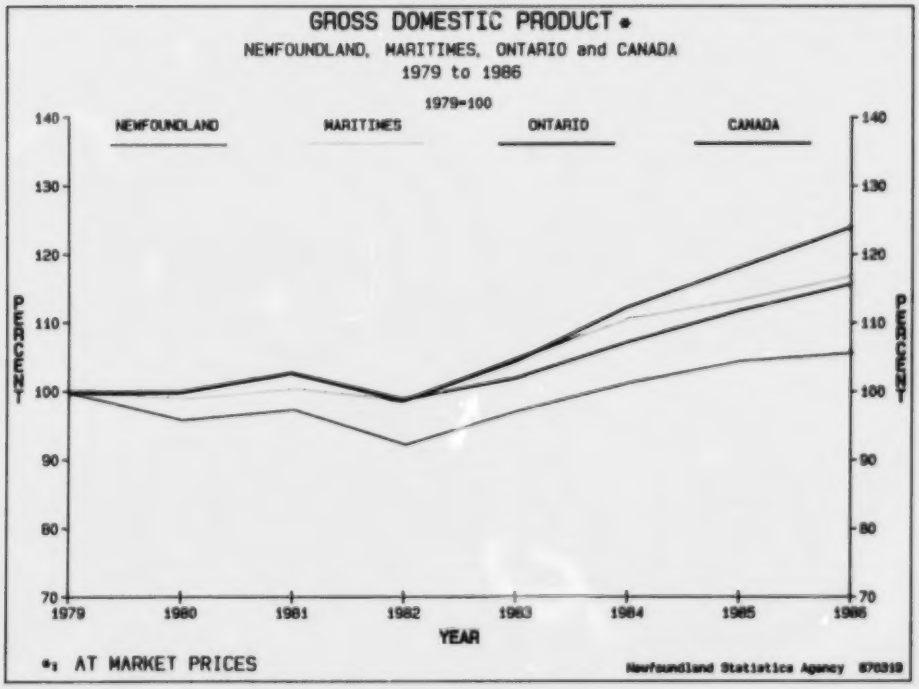
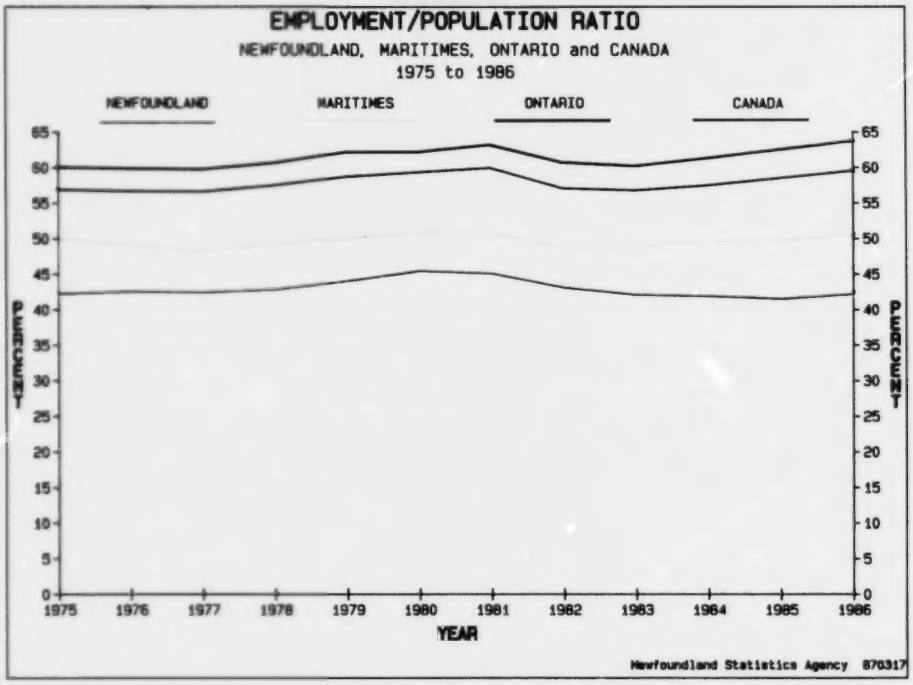


CHART III


EMPLOYMENT/POPULATION RATIO
NEWFOUNDLAND, MARITIMES, ONTARIO and CANADA
1975 to 1986
NEWFOUNDLAND
MARITIMES
ONTARIO
CANADA
PERCENT
YEAR
1975
1976
1977
1978
1979
1980
1981
1982
1983
1984
1985
1986
Newfoundland Statistics Agency 870317

PER CAPITA INCOME

If we go back to 1949, per capita income net of social assistance and other transfers, that is, per capita Earned Income, was just about 50% of the Canadian average, whereas the Maritime average was 70% and Ontario, 120%. Thirty-seven years later, in 1986, the relative statistics show 52%, between two and three percentage points more, for Newfoundland and Labrador; 74%, five percentage points more for the Maritimes; and 115%, a decline of six percentage points, for Ontario. Since 1981, both Ontario and the Maritimes have advanced, whereas our Province has experienced a small further decline in this economic index. *(See Charts IV and V).*

Thus, ever since Confederation, our gain in per capita income has been small, slow and uncertain, with significant gaps persisting throughout, leaving us the chronically poorest in the nation, and especially negatively affected by the recent recession.

Quite apart from the hardships for the individual family, the resulting lack of aggregate purchasing power constitutes a very real hindrance to business expansion in this Province and its potential for employment. Especially since the recent severe recession, when an expansion to aggregate income would have speeded recovery, the per capita Earned Income trend has been in reverse, and even total Personal Income, including transfer payments to individuals, is not accelerating and contributing progressively to recovery as is occurring in the Maritimes, Ontario and elsewhere in most parts of Canada.

FISCAL CAPACITY

Fiscal Capacity, as defined by the Federal Government, according to standard criteria, for equalization calculation purposes, reflects each province's ability to raise own-source revenues, and the value of the index is independent of the actual tax structure in place in any particular province.

The index for Newfoundland and Labrador was 57% of the Canadian average in 1980, and had risen only to 59% by 1985. During the same period, the index for the Maritime Provinces had risen gradually from 64% to 69%, whereas that for Ontario went from 91% to 99%. Our Province, therefore, has considerably lower revenue-gathering ability than our neighbours. *(See Chart VI).*

It is particularly noteworthy that the Fiscal Capacity spread between ourselves and the Maritime Province average widened from seven percentage points in 1980 to ten percentage points by 1985, confirming that the basic economic problem in this Province cannot be considered as simply one aspect of a general Atlantic Canada problem, but is an inherent structural disorder unique to Newfoundland and Labrador and demanding particular approaches for its correction.

CHART IV

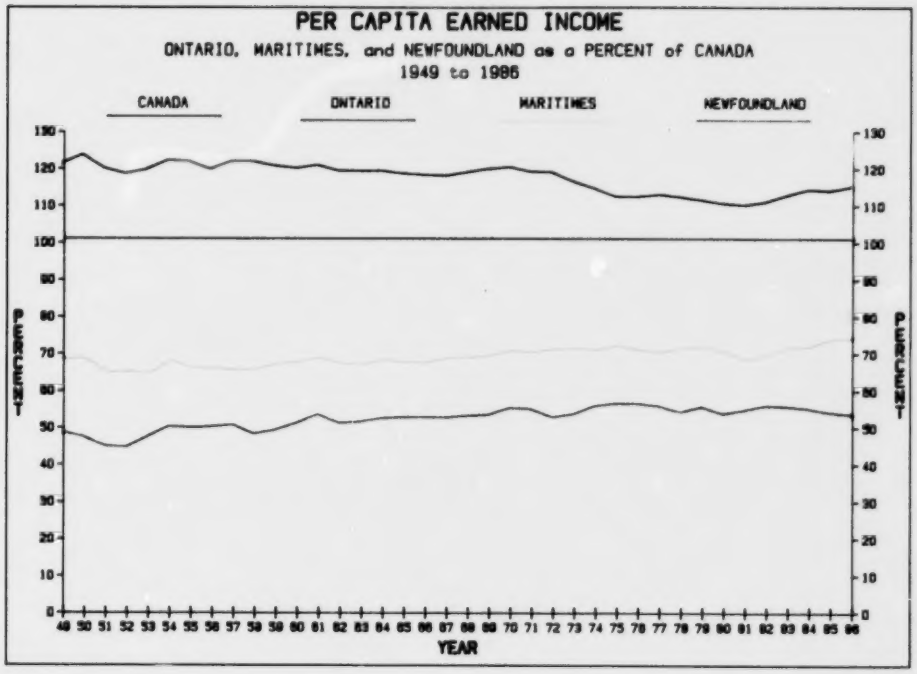


CHART V

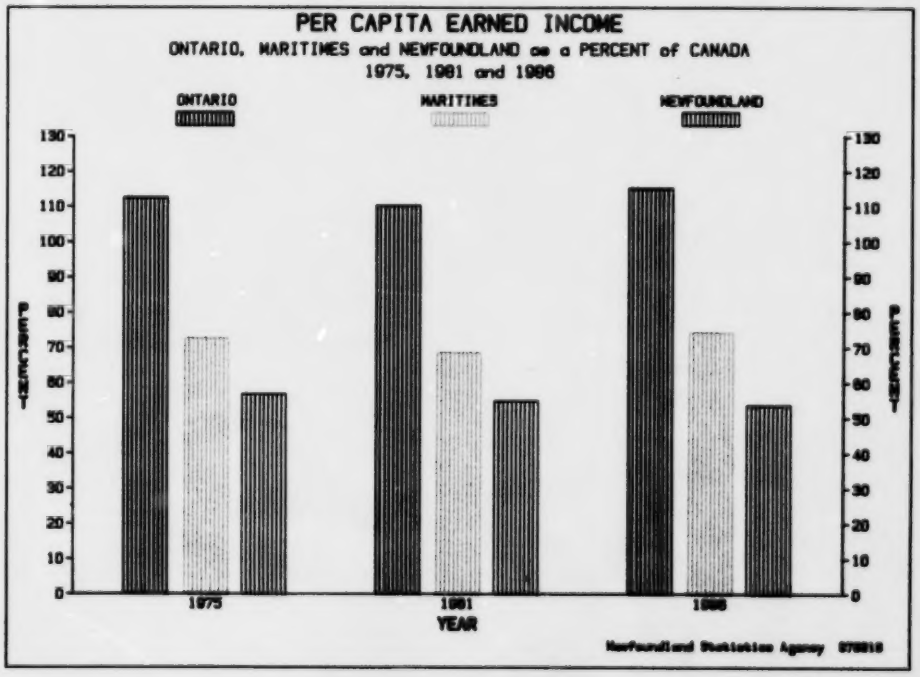
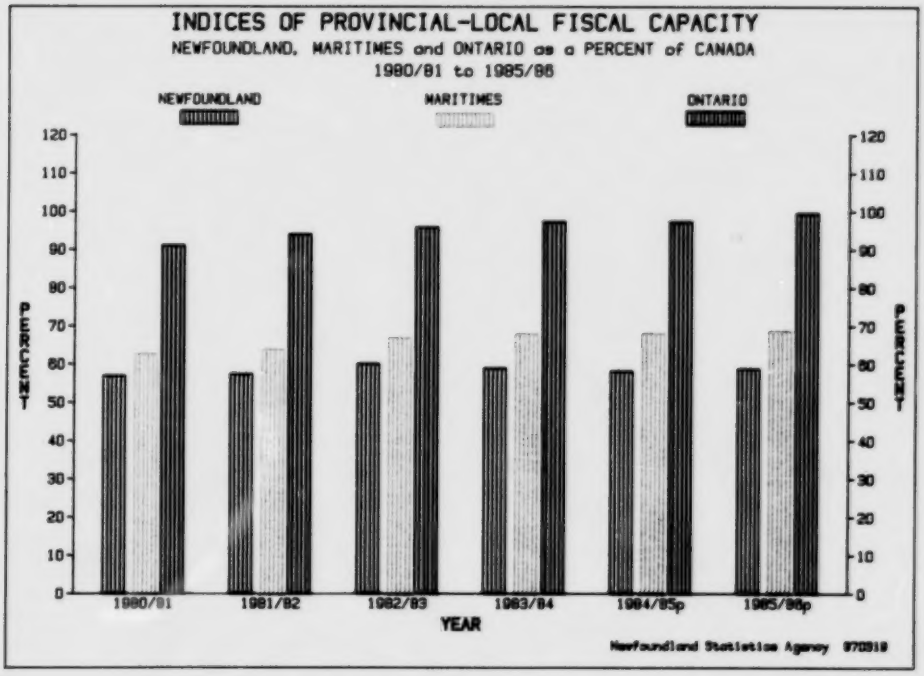


CHART VI


INDICES OF PROVINCIAL-LOCAL FISCAL CAPACITY
NEWFOUNDLAND, MARITIMES and ONTARIO as a PERCENT of CANADA
1980/81 to 1985/86
NEWFOUNDLAND
MARITIMES
ONTARIO
PERCENT
120
110
100
90
80
70
60
50
40
30
20
10
0
1980/81
1981/82
1982/83
1983/84
1984/85p
1985/86p
YEAR
Newfoundland Statistics Agency 870310

GOVERNMENT EXPENDITURES

For our present purposes, my review is confined to the ten year period from 1975 to 1984, for which confirmed comparable data are available.

Provincial and Local Governments

If we view the cost of supplying public services reflected as a provincial government's total expenditures expressed in per capita terms, we find Ontario moved from 98% to 85%, the Maritimes remained steady at about 90% and our Province declined from 100% to 94% of the Canadian average, during the ten years. *(See Chart VII).* Obviously, these trends are not contingent on relative wealth, or Ontario would have gone in the opposite direction. The point to be learned from the changed relationships, between those three eastern areas of Canada, is that the per capita cost of provincial public services is increasing for both the Maritimes and ourselves, relative to Ontario, with our Province always having the highest per capita cost of all three.

This fact is also obvious from a consideration of provincial/local government expenditures as a percentage of GDP. *(See Chart VIII).* Throughout the ten year period, the expenditure need in Newfoundland and Labrador remained in the range of 40% to 45% of our total GDP; the Maritimes were 35% of GDP; whereas Ontario needed to expend just over 20%, not much different from the Canadian average which ranged around the 25% proportion of gross national product.

For reasons that are obvious in our own case, it appears that the Atlantic Canada area as a whole requires a significantly higher per capita expenditure than do Central and Western Canada, with our Province bearing the highest cost of all.

Per Capita Federal Government Expenditures

In all areas of Canada, an important input into total expenditure is provided by the Federal Government. It is in this area, perhaps, that the most striking and unexpected facts result from the review of statistical data published by Statistics Canada.

In 1975, Federal per capita spending in Ontario was at 97% of the Canadian average, remaining more or less so throughout the following ten year period. Based purely on need, it might be expected that spending in the Maritime Provinces would be next highest, and spending in our Province higher still. However, Federal

CHART VII

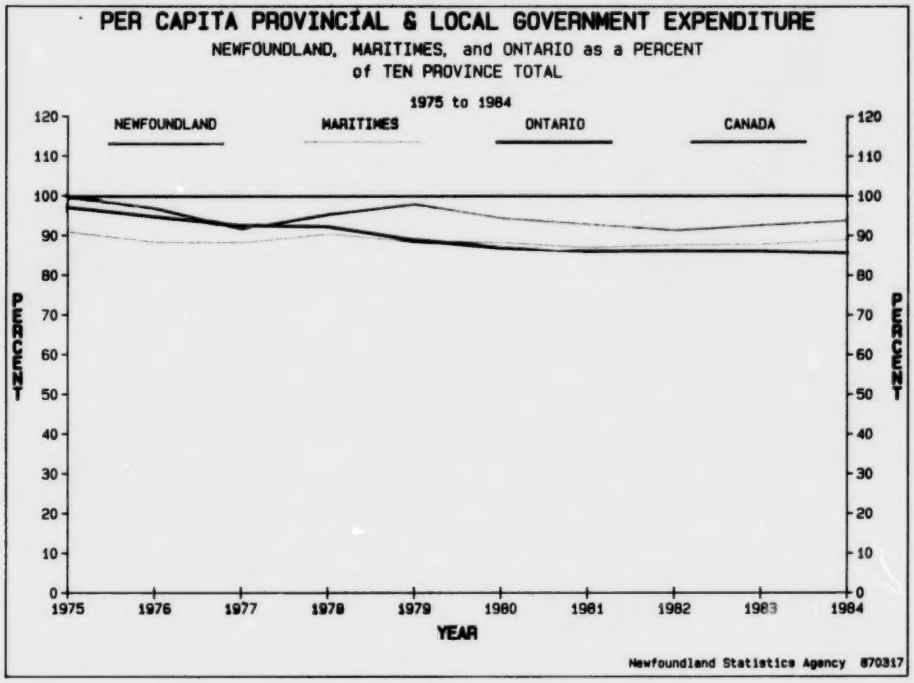
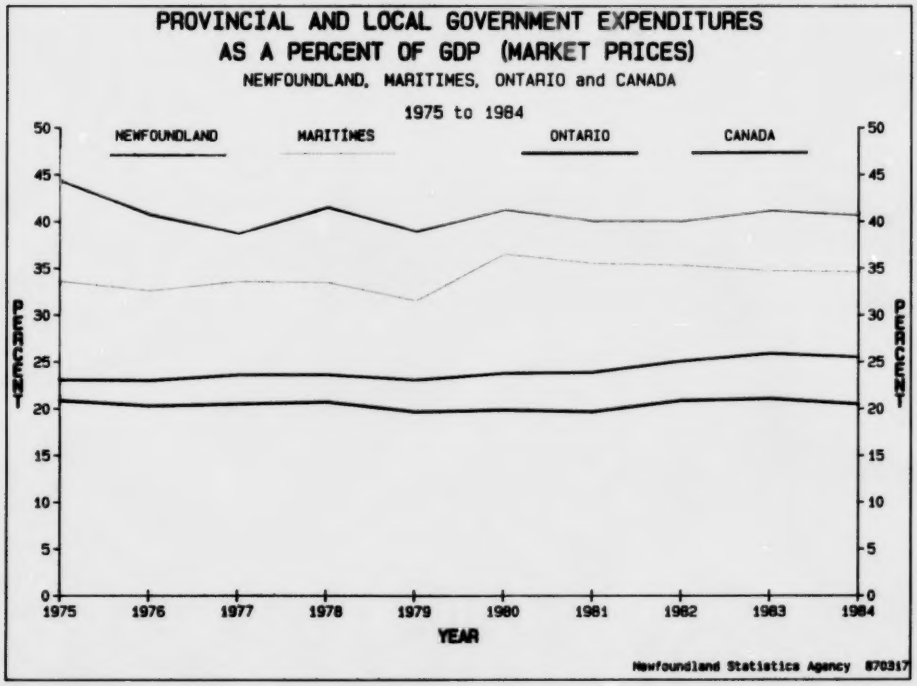


CHART VIII



spending per capita is actually much lower here than in the Maritimes. In Newfoundland and Labrador, per capita Federal expenditure annually approximated 125% of the Canadian average over the period to 1984. The Maritime Provinces' rate began at 153% in 1975, fluctuated upwards to 175% in 1980 and was still over 140% in 1984. *(See Chart IX).*

This striking finding is further clarified when the various components of per capita Federal expenditure are considered. *(See Charts X, XI and XII).* In Newfoundland and Labrador, transfers to Government and to persons are at the highest level, ranging between 160% and 180% of the Canadian average throughout the ten year period. Federal payments for goods and services and on interest owing were also above the Canadian average but to a lesser degree, whilst Federal capital and assistance program spending was considerably below the Canadian average, in the range of 55% to 65%.

In contrast to our Province, for the Maritime Provinces on average, all three components remained above the general Canadian level; Federal Government capital and assistance expenditures in 1975 were 250% of the Canadian average, ranged up to 400% in 1982, and in 1984 were still over 180%. Federal payments for goods and services and interest also were considerably greater than in Newfoundland and Labrador, by some 60% on a per capita basis. Only transfer payments to governments and persons were less than in our Province, by approximately 10%.

Even in the case of Ontario, the per capita payments for goods and services and for interest on public debt were about 15% greater than in the Maritime Provinces and a huge 65% to 85% greater than in Newfoundland and Labrador.

We are neither receiving the highest level of Federal assistance on a per capita basis nor has it been particularly of the seminal type for economic advancement.

It must be emphasized that Federal transfer payments to governments and to individuals in our Province are not being denigrated. Nevertheless, the data available help to point up the areas where added stress in Federal assistance should be placed, with an expectation of greater and more long-lasting economic benefit than the present apparently excessive reliance on the transfer payment mechanism.

CHART IX

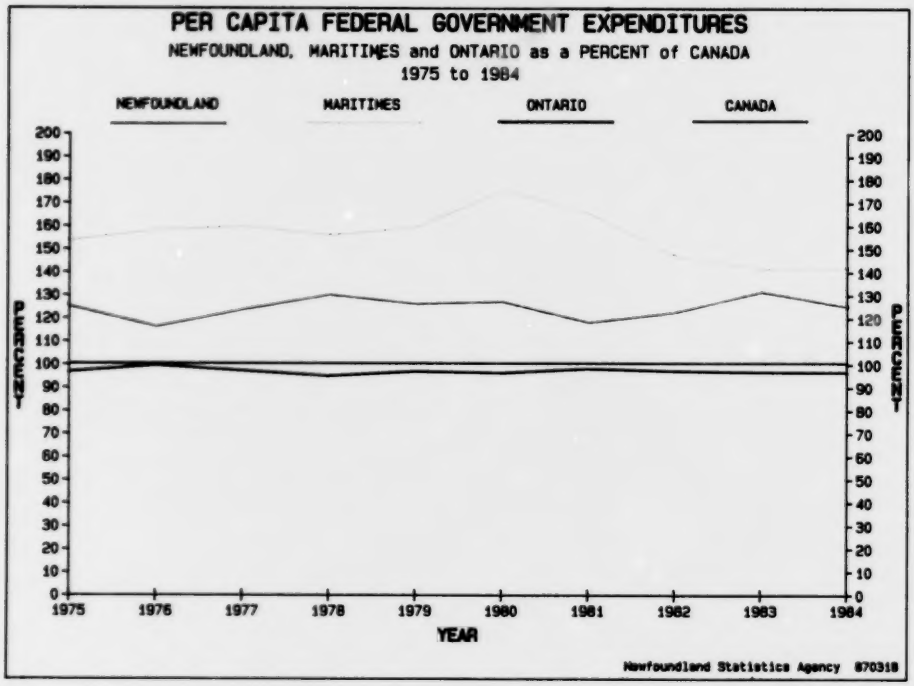


CHART X

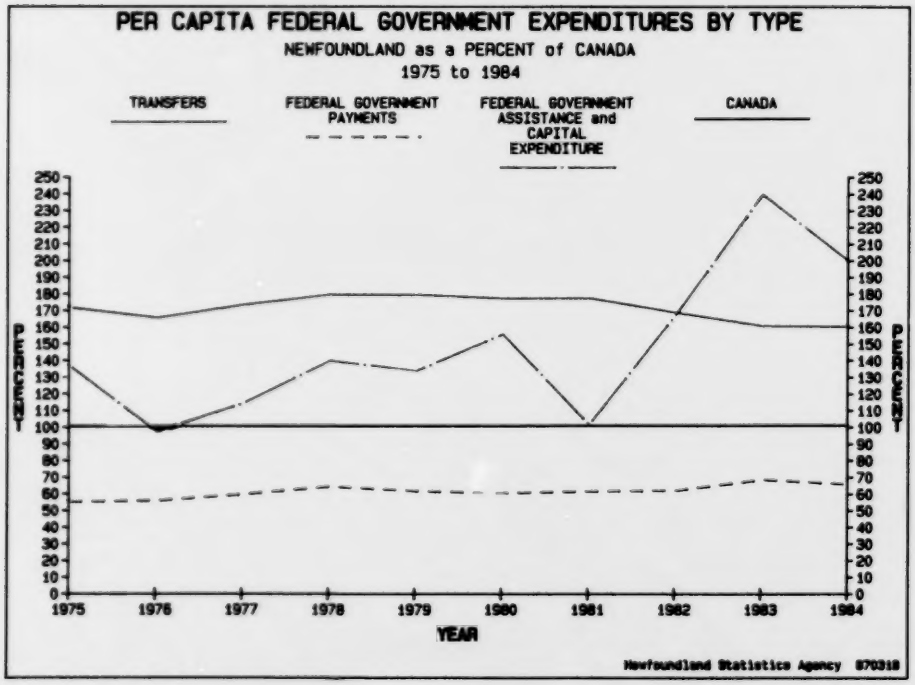


CHART XI

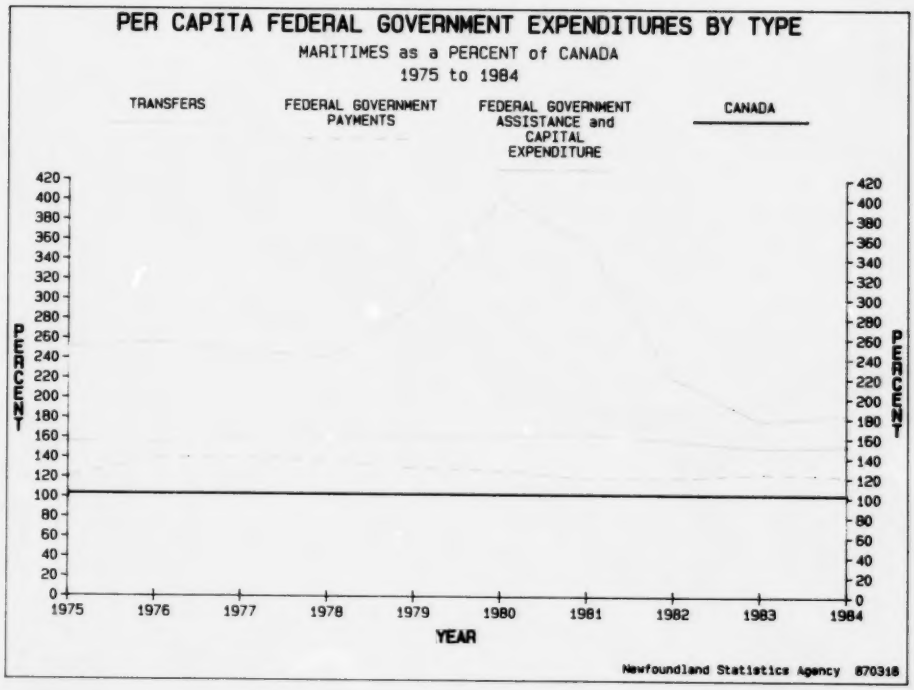
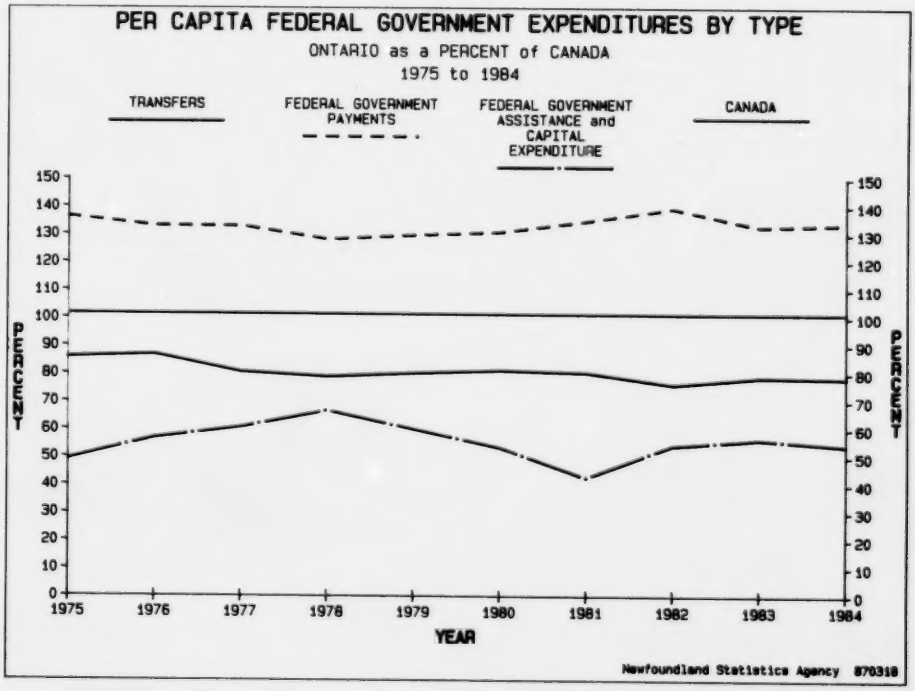


CHART XII



PUBLIC DIRECT DEBT

The most meaningful view of the Province's indebtedness is provided by consideration of Direct Debt, net of Sinking Funds accumulations. Also, to realistically compare the current balance of debt with former years, a truer picture is obtained if the amounts owing are expressed in constant value dollars. *(See Charts XIII and XIV).*

Misconceptions abound on the real Direct Debt of the Province. Significant debt accumulation has gone on for at least the past twenty-five years, with the greatest rate of growth in the 1960's and early 1970's. During the ten years up to fiscal 1973, debt grew at about 20% per year. Over the following ten years, the annual growth rate declined sharply, to 3.5% initially and, for fiscal 1979 to 1983 inclusive, the rate was actually negative, the net Direct Debt falling from $2.1 billion to $1.9 billion, the first declining trend over a five year period recorded in the history of this Province.

I regret to say that a serious reversal occurred during the five-year period we are now experiencing, including the current fiscal year. This period coincides with our economically and financially troubled post-recessionary period, and the annual accumulation of Direct Debt, expressed in comparable 1981 dollars, is at a positive rate of 7.9%, a sharp contrast with the negative 1.3% rate of the previous five years.

Honourable Members are aware that Government has experienced persistent deficits on Current Account since 1983, aggregating to approximately $345 million, in constant 1981 dollars, during the latest five year period under review, which in large part account for the reversal in debt accumulation.

In addition, a generally higher level of Capital Account spending added to Direct Debt, as hospitals and schools, some built during Commission of Government days, were replaced; increasing Canadian standards for public services required highway and other upgradings; the growing and regrouping Newfoundland and Labrador population necessitated the construction of new and expanded social infrastructure; and Government provided support for private sector employment and business through grants and investments.

Despite this, it is interesting to note that, by the end of fiscal 1985, our per capita Direct Debt more or less equalled that in the Maritime Provinces, whereas ten years earlier it had been approximately 85% greater.

As an inevitable consequence of the run-up in Direct Debt in these most recent five years, the Debt Service Ratio, that is, the proportion of Government revenues needed to service the Public Debt, has accelerated significantly to 18.9%, in comparison to the previous five years when the ratio was fairly steady in the 13% to 14% range, despite very high interest rates during much of the time. *(See Chart XV).*

CHART XIII

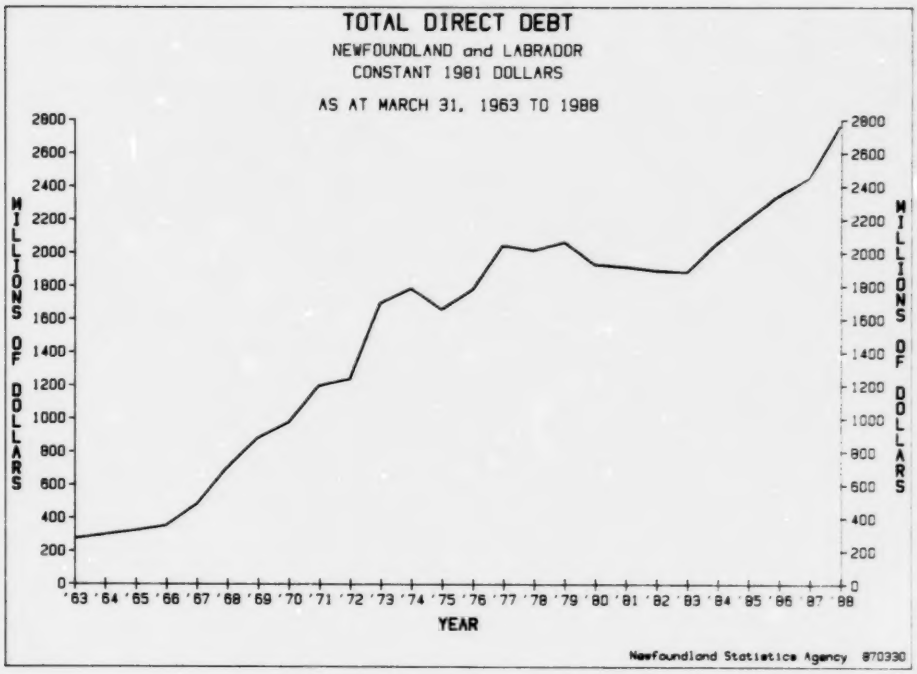


CHART XIV

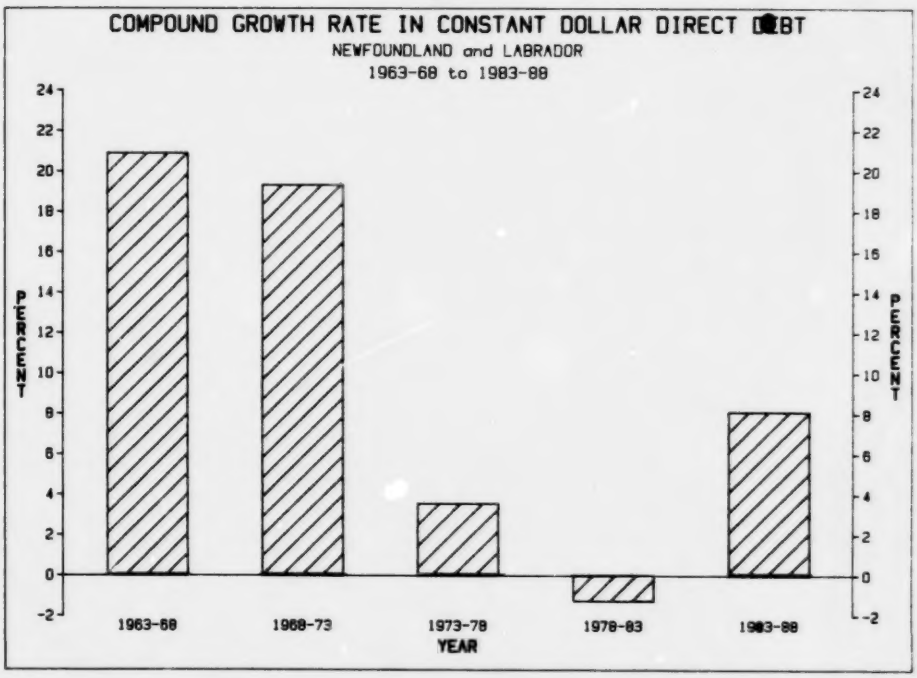
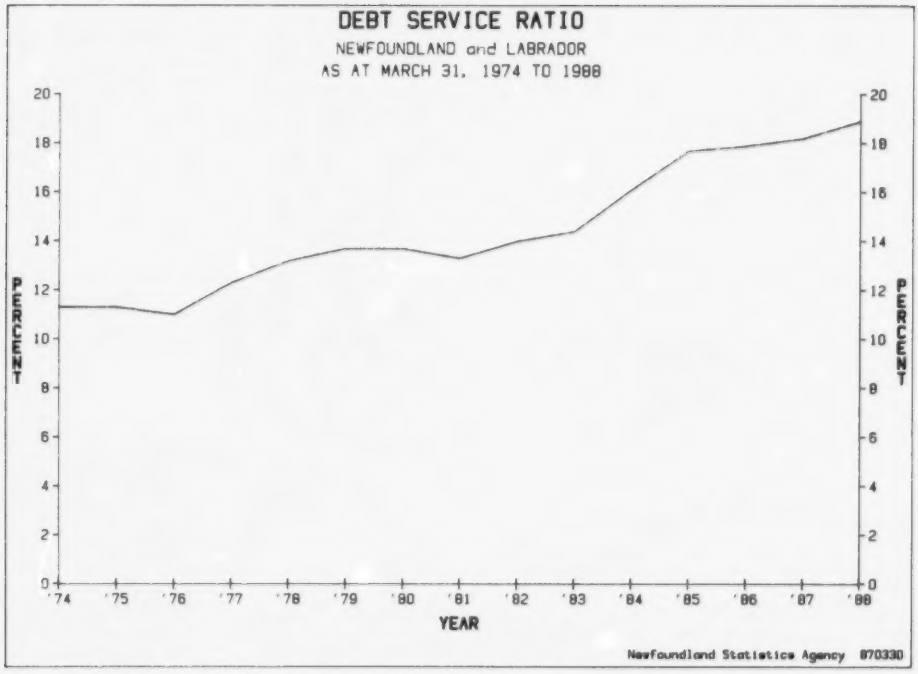


CHART XV


DEBT SERVICE RATIO
NEWFOUNDLAND and LABRADOR
AS AT MARCH 31, 1974 TO 1988
PERCENT
YEAR
'74 '75 '76 '77 '78 '79 '80 '81 '82 '83 '84 '85 '86 '87 '88
0 2 4 6 8 10 12 14 16 18 20
Newfoundland Statistics Agency 870330

SUMMARY OF REVIEW

To summarize, therefore, the main points arising from the review:

- After thirty-eight years in Confederation, our per capita GDP still trails the Canadian average by a huge 42%; an increasing trend of disparity has reappeared since the recent recession began in 1981.
- Our Employment / Population ratio showed no permanent improvement in the ten years from 1975 onward, and is over 21% behind Ontario.
- Since 1949, our per capita Earned Income level has advanced only slowly, and still is forty-eight percentage points below the Canadian average.
- The Fiscal Capacity of the Province trails the Canadian average by over 40%. Accordingly, the Provincial Government is more handicapped than any other provincial government in funds-gathering for public services.
- Despite our relatively low level of public services, the cost of their provision is excessively high in this Province compared to other jurisdictions. It may not be generally appreciated that the net land mass of our Province is three times that of all the Maritime Provinces combined, and that our population density is the lowest of any Province in Canada.
- Total Federal spending in our Province is not, as might be expected, at the highest per capita level, but, rather, we place more or less midway between such expenditures in Ontario and the Maritime Provinces.
- The Direct Debt of the Province has shown a sharp acceleration in the five years since 1983 as post-recessionary economic sluggishness continues, a situation complicated to some extent by Federal government restraint and additional taxation measures, withdrawing further wealth from our Province.

MR. SPEAKER,

These are the stark realities of our economic and financial situation. They paint a sombre picture but not a new one. Our history has always been full of struggle against trying odds, and Confederation has brought no lasting change to date.

The fact that our people now benefit from the Canadian social services "safety net", the fact that the Government of Canada spends large amounts of public money each year here as it does in other provinces, and the fact that our borrowing credit in world capital markets is helped by our status as a Canadian province, must not blind us to the reality we are not truly sharing in the fundamental benefits of Canadian nationhood as fully as other provinces are. After thirty-eight years, we remain the archetypical have-not Province.

It is absolutely essential for us fully to grasp these facts as we set to steer a more certain course into the future.

FINANCIAL STRATEGY

When Government had completed the review I have just outlined, a number of options presented themselves as the new Budget for the 1987-88 fiscal year was finalized.

The first option open to Government was to confront the Federal Government with these facts, and request immediate financial assistance, backed up by a solid commitment to participate in a longer-term remedial action. Both the Premier and myself were involved in this direct approach, augmented by the good offices of our representative in the Federal Cabinet.

A clear, sympathetic understanding of our dilemma was achieved. The Government of Canada indeed now fully accepts that there is justification for increased Federal economic development assistance for our Province, and undertook to continue monitoring our economic and fiscal circumstances over the short term. But the request for commitments by the Federal Government were not met in full measure, prior to bringing down this Budget. For our part, we will follow up this matter as the fiscal year ahead unfolds, striving to put in place whatever joint action is needed to secure a lasting improvement for the Province and the Government.

A second option facing Government was to immediately undertake a drastic reduction in public services, probably in conjunction with a significant increase in taxation effort, to bring about a better balance in our budgetary affairs.

It should be recalled that such a stringent strategy had been implemented previously when the effects of the recent recession on our budgets became apparent. It was decided, therefore, at this juncture to forego any additional restraint and taxation measures.

The reasons for so doing were twofold: first, such a program would undoubtedly have a decidedly dampening effect on our economy still struggling to throw off the after-effects of the recent recession; and second, the already relatively low level of our public services, by Canadian standards, does not permit severe reductions in content or in extent, without relegating our citizens to a second-class relationship with other Canadians.

The third option, and the one finally taken up, is to view our chronic and exacerbated economic difficulties, not with resignation or hopelessness, but rather with a sense of challenge and determination. To that end, plans already in process, as well as new initiatives, were rapidly put into final form. I will outline these

shortly. In the meantime, Government accepted the inevitability of a sizable slippage in its budgetary accounts for this fiscal year, but with firm resolve to make up for past deficits in the years immediately ahead.

We are projecting, on Current Account, a deficit of just over $172 million for 1987-88. The growth in net expenditures is projected to increase 8.9% over last year, whilst revenues will increase by some 2.6%. It should be noted that the actual growth rates in the year-over-year numbers are distorted somewhat by the impact of certain non-recurring items, detailed in an supplement attached to the printed Speech. For example, employee wage costs are artificially inflated by the need to fund more paydays than the usual 26 in a typical year.

Let me reiterate, Mr. Speaker. The cost of avoiding savage cuts in public programs and introducing widespread tax increases this one fiscal year predicts the carrying of a $172 million Current Account deficit.

Even for this net deficit result, several modest revenue raising measures were needed:

- The Insurance Companies Tax, presently 3%, is increased to 4%, effective immediately, to generate an additional $2.8 million;

- The Corporation Capital Tax, imposed on banks, loan and trust companies, is increased from the current 1.5% to 2%, effective immediately, and will generate an additional $700,000 in revenue;

- The Newfoundland Liquor Corporation has been authorized to increase the mark-up on spirits by 25¢ per 750 ml bottle, with proportionate increases on other size bottles and on wines, so as to raise an additional $1 million for the Province. It should be noted that there is no increase in the commission rate on beer sales, and Government has requested the breweries not to put in place any beer price increases for the coming year.

- A small number of fees and rates will be modestly increased.

MR. SPEAKER,

At this point I wish to draw the attention of Honourable Members to certain announcements of particular relevance.

- A 4% increase has been included in the Estimates of the Department of Social Services for all components of social assistance rates, effective May 1, 1987. In the same Estimates we have included $150,000, as the first of three annual contributions to the Canadian National Institute for the Blind which intends to replace its present building on the Boulevard in St. John's with a new $1.3 million provincial facility.

- In the Estimates of the Department of Education, the School Tax Equalization Grant, introduced last year, is continued and increased to $2.5 million.

- As Honourable Members know, isolated communities served by the Power Distribution Districts, and not interconnected with the Provincial power grid, purchase the first 500 kilowatts of diesel generated power at rates subsidized to equate to the rate paid by grid-connected customers. I am very pleased to announce that Government has now increased the level for maximum subsidy to 600 kilowatts per month, effective April 1, 1987. This move, no doubt, will be particularly appreciated along the Labrador Coast, where winter nights are longest.

- I am also pleased to announce that, effective April 1, 1987, pension benefits for all retirees from Government Services will increase from 3% to a maximum of 10%, depending on the date of retirement; those who retired on low pension benefits prior to April 1, 1977 will receive the larger increases according to a progressive scale, the low end of which guarantees a minimum increase of $240 per year.

- Finally, I would like to indicate that Government intends to review the details of its programs for assisting municipalities and groups in acquiring community recreation facilities, in order to improve their effectiveness.

Helpful changes will be announced shortly by the Ministers concerned.

In making these particular announcements, I hasten to add that they do not constitute, by any means, the totality of the positive features of this year's annual Budget. The many other continuing and enhanced budgetary initiatives of this Government are included in the supplement mentioned previously.

Information on the general and sectoral economies of Canada and the Province are supplied in a separate document, entitled "The Economy-1987", which I will also table.

MR. SPEAKER,

In regard to our Capital Account, there will be a significant increase in gross expenditure over last year, although net expenditure will be smaller than last fiscal year because of related revenue increases.

This current fiscal year will also see a much higher level of redemptions of Direct Debt contracted in the past, resulting from early refinancing of a 17¼% debenture issue, which will save us approximately $6 million in annual interest charges.

Overall, therefore, the total financial or borrowing requirements of the Provincial Government will increase this year by nearly $260 million.

Government is acutely conscious, of course, of the increased size of the deficits in its Current and Capital Accounts, which, on a combined basis, amount to nearly $376 million. Nevertheless, this large sum must be viewed in a proper context.

Expressed in constant 1981 dollars, to allow valid comparisons with previous years, the sum of just over $310 million is not the largest combined deficit in our history, having been exceeded in fiscal year 1976-77, when our overall budget numbers were considerably smaller.

In fact, when the combined deficit is expressed in real terms, it was exceeded in size, as a percentage of total gross Current and Capital Account expenditures, on no less than six occasions within the past decade and a half, in years needful of particular one-time spending *(See Table I).*

TABLE I
BUDGETARY REQUIREMENT AS A PERCENTAGE OF GROSS EXPENDITURE

Fiscal Year Ending March 31	Gross Current plus Capital Expenditures in Constant 1981 Dollars ($ Millions)	Budgetary Requirement in Constant 1981 Dollars ($ Millions)	Percentage %
1974	1,340.2	230.6	17.2
1975	1,341.5	215.6	16.1
1976	1,440.6	258.5	17.9
1977	1,652.4	337.1	20.4
1978	1,593.1	171.8	10.8
1979	1,741.2	241.9	13.9
1980	1,708.5	145.3	8.5
1981	1,636.4	95.2	5.8
1982	1,699.7	148.2	8.7
1983	1,782.2	178.5	10.0
1984	1,954.1	295.6	15.1
1985	1,936.4	222.2	11.5
1986	2,058.9	218.6	10.6
1987	2,138.5	211.1	9.9
1988	2,380.0	316.9	13.3

PLAN FOR THE FUTURE

MR SPEAKER,

As I have mentioned above, Government has put in place a clear-eyed plan for the development of our economy designed, once and for all, to "kick start" our Province out of the deep disparity which has been a festering blight on our people since 1949. We will involve the Federal Government very much in our plan, and, indeed, this Budget provides the opportunity for us to issue the Government of Canada a challenge, equal to that we place before ourselves, to participate vigorously and soon in its operations.

This plan affords both orders of Government the chance finally to employ the undoubted power and means of our Confederation, to remedy historic neglects and to unleash the human and physical resources of our Province, which have lain dormant and under-utilized throughout these past four decades. The plan will require good will to make it work, as well as innovative enterprise, determination, and not a little money. However, the goal of finally creating a vibrant economy at the eastern gateway to our great nation is surely worthy of mighty endeavours.

The plan is categorized under the following headings:

- Industrial and commercial stimulation for large and small enterprises;
- Restructuring of the traditional inshore fishery;
- Workforce training and promotion of Centers of Excellence;
- Entrepreneurship promotion and business financing;
- Federal Government participation; and
- Restrained Provincial Government demands on our local economy.

INDUSTRIAL AND COMMERCIAL STIMULATION

Large-scale Enterprises

The Government has laboured long in its endeavour to bring certain other large-scale undertakings "on stream". Included are offshore gas and oil exploration and development, onshore spinoff activity related to the petroleum industry, and the construction of new Labrador hydro-generation sites and transmission lines. These will continue to be priorities of the first order and will receive vigorous new attention in our planning and promotion.

Small Enterprises

It is readily understood that sufficient employment and wealth will not be generated in the Province from large scale enterprises alone. In fact, at the present time, small-scale business activities already supply the bulk of these

benefits. It is particularly noteworthy that, since 1979, 13,000 jobs have been created in the service sector of our economy, which itself has grown by 13.6% since that time. Furthermore, the period has seen the development of an "exportable" component of the service sector, related to research and development in marine expertise.

In a number of inter-related ways, Government plans to assist and support small-scale businesses of all types and in all regions of the Province. An example involves new arrangements whereby the huge procurement needs of the Provincial Government itself are made more readily accessible to local small businesses. Another example is our plan to introduce a "Buy Newfoundland and Labrador" campaign to help develop the sale and export of locally-produced goods and services of all kinds.

Other support for small-scale enterprises will be found throughout other categories of the overall plan.

TRADITIONAL FISHERY

Not too many years ago, our deep sea or offshore fishery was bankrupt and in complete disarray. As is well known, vigorous joint restructuring and funding by the Provincial and Federal orders of Government have succeeded in again placing this important sector of our fisheries on a sound and profitable footing. It has now been returned to the private sector in an outstandingly healthy state, far ahead of schedule.

Government is convinced that a similar and even more successful restructuring and reinvigorating of our traditional inshore fishery can be achieved, given like determination and commitment of funds. If anything, the resulting benefits will be far more widespread and welcomed in hundreds of communities and by thousands of Newfoundland workers.

The basis for a successful traditional fishery already exists, in the knowledge and expertise of our fishermen and plant workers, in the extensive infrastructure at water's edge, in our new Marine Institute, and in the extensive harvesting system distributed throughout the Province. However, upgrading and renewal of plant and equipment are needed in many areas, as are retraining and upgrading of many workers involved. In addition, new initiatives have to be introduced and expanded such as various forms of aquaculture, and middle-distance harvesting technology . Also, the marketing and promotion of our traditional fishery products must be pushed more vigorously in the European and other world markets. In particular, production for the fresh fish market, as well as the non-traditional species markets, provides exciting prospects.

Government has already obtained Federal participation, in the form of a new Inshore Fisheries Agreement, representing a beginning of the revitalization of the traditional fishery. This will be implemented and pursued with all haste.

WORKER TRAINING AND CENTERS OF EXCELLENCE

Worker Training

A major emphasis is being placed by Government on post-secondary education. The Department of Career Development and Advanced Studies has been given a mandate to prepare the youth of this Province for the new technologies, now and in the future, to be encountered in the work place. A number of specific initiatives will receive funding in the current fiscal year.

As was announced by the Premier in August last, a Provincial Community College System has been established and is funded to begin in September, 1987. This fiscal year will see the major structural support system put in place, with other elements implemented over a period of time.

Some of the important initiatives that will be commenced this year are:

- The offering of first year University credit courses at certain of our community college campuses;
- The establishment of a number of specialty welding centers throughout the Province;
- The establishment of library resource centers in various community college regions;
- The updating and expanding of engineering technologies related to offshore oil and gas activities; and
- The upgrading of our training capability in various computer-related technologies.

The same Department will be responsible for the introduction of a major $12.5 million program designed to provide employment in meaningful projects, not only to help develop the Province's resource and service industries, but also to contribute to the development of skills by the workers involved.

In recognition of the difficulties experienced by young people in finding employment, a portion of the jobs created will be targeted towards the below twenty-five age group, and this program should contribute significantly to bridging the gap between school and the workplace.

The objective of the program as a whole is to encourage long-term employment of new employees, particularly in the private sector, which will play a vital role in certain parts of our redirected approach.

Centers of Excellence

Details of the exciting initiatives are discussed more fully in the publication entitled "The Economy-1987". I need only list the more striking ones here:

- The Center for Earth Resources at Memorial University;
- The expanded Center for Management Development in MUN's School of Business;
- The Computer-Aided Design Center in the Engineering School at the University;
- The Center for Remote Medicine and Telemedicine;
- The aquaculture and other technology Centers of Excellence in our post-secondary institutions;
- The Center for Cold Ocean Research and Engineering (C-CORE) recently approved for funding under the Canada/Newfoundland Offshore Development Fund Agreement;
- The Marine Sciences Research Laboratory (MSRL) at Logy Bay, expanding Research and Development activities in marine and other offshore areas; and
- The Newfoundland Institute of Cold Ocean Sciences (NICOS), coordinating basic oceanographic research.

ENTREPRENEURSHIP AND BUSINESS FINANCING

The Royal Commission on Employment and Unemployment made many recommendations particularly directed towards the promotion of small businesses. Over the past year, Government independently initiated an inter-departmental review program designed to evolve new ways of assisting business enterprises, emphasizing the small business category, by gaining better access to equity and other forms of financial assistance. In carrying out this exercise, extensive consultations were held with the Economic Council of Newfoundland and Labrador, with the Investment Dealers Association of Newfoundland and Labrador, and with other interested groups.

As a result of these initiatives, I am pleased to announce that Government is launching a three-pronged approach:

- stimulating equity financing;
- extending financing programs to the service sector;
- supporting and developing entrepreneurship in the Province.

Specifically, I wish to announce today nine separate initiatives:

- A renewed program to respond directly to equity funding needs of new and expanding small businesses will be delivered through the Newfoundland and Labrador Development Corporation (NLDC). Its aim is encouragement of the entrepreneurial spirit throughout the Province with funding of $2.0 million;

- The Venture Capital Program, also provided by NLDC, will be significantly expanded to permit a greater number of interest-free loans to new venture capital companies, particularly those involved in emerging industrial technology services for marine and offshore petroleum developments;

- Newly established small businesses will be exempt from Provincial Corporate Income Tax for an initial three year period of their operations; this fulfills one recommendation of the Royal Commission on Employment and Unemployment, and the initiative covers the two-year period following the date of this Budget, with later extensions dependent on detected results;

- A Newfoundland Stock Savings Plan has received serious consideration and initial planning, and Government will form a task force, composed of representatives from the private sector as well as from the Public Service, to develop further details over the next few months; the plan could take the form of a provincial Income Tax Credit (ITC), put in place in time for the 1988 taxation year, with the objective of enabling mature investors to participate directly in investment opportunities arising throughout the Province;

- A new Young Entrepreneur Loan Program will be established within NLDC, directed at eighteen to thirty year old residents of the Province starting up new permanent small business ventures; a maximum of $20,000 per enterprise will be available with flexible repayment arrangements based on positive cash flows and profits;

- The Department of Rural, Agricultural and Northern Development (RAND), as well as NLDC, are provided significant additional funding to permit expanding their financing programs for all sectors of the economy including the service sector; this important initiative is also in line with a recommendation of the Royal Commission on Employment and Unemployment;

- A "One Stop" Information Service will be established through a number of key centers across the Province; entrepreneurs will be able to obtain information, readily, and in a comprehensive form, on financial assistance programs and support services available from governments, as well as on new investment opportunities, market data, technological changes and other relevant business matters;

- The business support service activities of NLDC will be expanded with the aim of reducing the rate of business failures during the critical start-up period of new ventures and expansions; and finally,

- A provincial training network will be commenced in the new Community College System, making training in entrepreneurship available to all students registered in diploma and certificate level programs.

MR. SPEAKER,

Government is excited at the possibilities which should arise from these new initiatives aimed at stimulating and providing leadership in the field of business development throughout the Province. Progress of the various programs will be monitored closely, and reporting mechanisms will be set up so as to ensure that effective results are obtained. As much involvement as possible by the private sector will be sought, both in terms of participating with programs and also from the point of view of soliciting further useful recommendations and suggestions.

By its very nature, entrepreneurship and small business are private undertakings, and Government intends to be careful not to intrude except where a real requirement exists, and to withdraw its presence as soon as possible after activities and projects are soundly based.

Occasionally it has been suggested that Newfoundlanders and Labradorians lack somewhat in personal initiative; the framework of activities which I am announcing today is pointed evidence that Government does not share this view.

FEDERAL PARTICIPATION

As I have stated a number of times during this Speech, if the disparity mold is to be finally broken for our Province, participation by the Federal Government at all levels of the task is essential. We have reason to believe that Ottawa is well sensitized to this fact, and we are justifiably optimistic of achieving a level of co-operation commensurate with our own efforts.

Further consultations and planning at ministerial and official levels will be required before a defined framework of joint Federal/Provincial participation arises. At this stage I will merely enumerate a few areas where new approaches would seem appropriate and required:

- The inclusion of expenditure need or cost-of-service criteria in determining Federal funding by way of fiscal transfers;

- A renewed and re-invigorated program for Regional Economic Development. This will require an early implementation and adequate funding of the Atlantic Canada Opportunities Agency as announced in last Fall's Federal Throne Speech;

- As a first order of business, the new Agency should address the outstanding ERDA and other regional development proposals which the Province has submitted;
- An enhancement of Department of Defence expenditures and services (including air/sea rescue) within our Province; and
- A renewed sense of urgency by the Federal Government for the implementation and continuation of certain major projects such as offshore petroleum development, Lower Churchill hydro development, Trans-Labrador Highway and other transportation needs in the Province, etc.

There are two particular areas of Federal spending on which I will make particular comment:

Regional Development Funding

For some years, the Provincial Government has been seriously troubled by an apparent de-emphasis being placed on regional development and regional disparity programs by the Federal Government. *(See chart XVI).*

Whilst these Federal funding programs constitute a relatively small proportion of total Provincial investment, their special importance relates to their particular focus. It is disturbing to note, therefore, their generally declining trend. Hopefully, some upward trending in the more recent years indicates that our alarmed protestations are bearing fruit, and there will be continuing re-emphasis on Regional Development Assistance in future, along lines similar to the successful programs exhibited earlier in the 1970's.

Defence Spending

Table II depicting per capita expenditures by the Federal Department of Defence in each of the provinces of Canada, underlines a situation which speaks for itself, and which has caused this Government to protest vigorously to Ottawa for a number of years, so far with little success. The table clearly demonstrates what can only be termed a completely unacceptable and inequitable deficiency of defence spending in this Province.

Per capita defence spending here is about one-tenth the level in the Maritime Provinces and about one-third the provincial average throughout Canada. Taking into regard the positive economic spin-offs in the local area from such spending, remembering our distressful situation as the poorest Province in Canada, recalling our strategic position on the Eastern ramparts of the nation, and realizing the extensive military infrastructure we inherited as a legacy of the Second World War, whilst also reminding ourselves of our particular claims as the maritime province par excellence of Canada for Federally-funded air/sea rescue services, one can only be astounded at the statistical information.

Government will continue to press its case vigorously on this issue, so that our Province can rightfully take its place for national defence of Canada's Atlantic approaches and Arctic areas.

CHART XVI

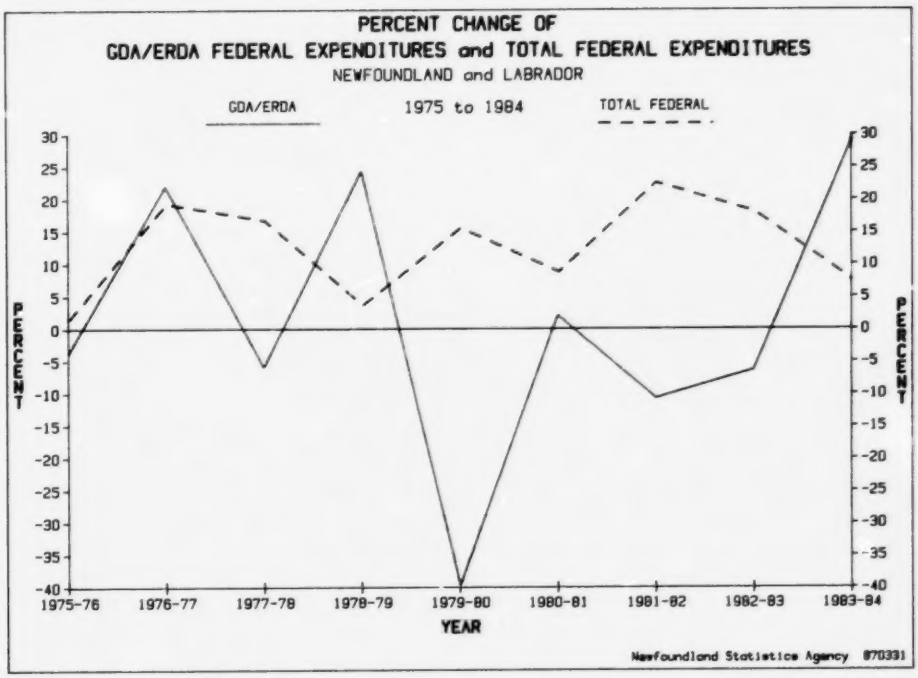

PERCENT CHANGE OF
GDA/ERDA FEDERAL EXPENDITURES and TOTAL FEDERAL EXPENDITURES
NEWFOUNDLAND and LABRADOR
GDA/ERDA
1975 to 1984
TOTAL FEDERAL
PERCENT
YEAR
1975-76
1976-77
1977-78
1978-79
1979-80
1980-81
1981-82
1982-83
1983-84
Newfoundland Statistics Agency 870331

TABLE II

DEPARTMENT OF NATIONAL DEFENCE
EXPENDITURES BY PROVINCE

$ PER CAPITA

RANK	Province	1984/85
1.	Nova Scotia	1,093
2.	Prince Edward Island	554
3.	New Brunswick	535
4.	Manitoba	331
5.	Ontario*	301
6.	Alberta	271
7.	British Columbia	257
8.	Quebec*	180
9.	Saskatchewan	130
10.	Newfoundland**	113
	Provincial Average	284

Notes:

* Does not include expenditures within National Capital Region.

** Newfoundland accounted for 0.7% of total department expenditures in 1984/85. This compares to 10.6% for Nova Scotia during the same fiscal year.

RESTRICTIONS OF PROVINCIAL GOVERNMENT DEMANDS ON THE ECONOMY

Out of necessity, and in view of the relatively weak and underdeveloped aspect of the private sector in our Province, the Provincial Government assumes a larger role in the economic life of our Province than is the case anywhere else in Canada. Provincial Government expenditures equate to a higher percentage of the Province's GDP than in any sister Province.

Despite the necessities of this governmental intrusion, at least two downside aspects also exist: first, the large government presence calls for a relatively heavy revenue burden through taxation and other means; and second, there is a tendency to stifle or retard initiatives by the private sector.

Accordingly, to begin reversing this situation, particularly as the private sector strengthens and expands, as well as to improve its own expenditure-revenue balance, Government has decided to implement the following measures:

- A three year freeze on construction of, or expansions to, nursing homes;
- A three year freeze on new hospital construction and major renovations (existing commitments to be completed);
- A three year freeze on new public buildings construction;
- A three year freeze at current levels on capital grants for school construction;

- A three year freeze at current levels on non-cost shared road construction and capital transportation projects;
- Loan approvals for water/sewer facilities and paving projects to be frozen at $25 million per year for three years;
- No new commitments for capital projects at Memorial University of Newfoundland for three years;
- A program of privatization of various Government assets; and
- A full review of the efficiency and effectiveness of Government's operations to be conducted by:
  (i) A Senior Expenditure Review Committee, and
  ii) External efficiency experts.

The role of the Expenditure Review Committee will be to develop a plan for consideration by Government. The full range of Government programs, both Current Account and Capital Account, will be included in the Committee review process, the objective being to set out targets for improving our financial position over a reasonable period of time. Ways will be identified gradually to bring our expenditure growth rate below our revenue growth rate, by concentrating, in the first instance, on improving the efficiency of Government programs and administration, and then, by eliminating lower priority activities, to the extent that program reductions prove necessary.

Many of our basic public services are provided by school boards, hospital boards and other such agencies. For the most part, we have been in the practice of providing these agencies, as well as many other bodies depending on Government for financial support, with inflation-related increases in their annual budgets. We may not be able to continue that practice after the current year, so those groups should begin developing contingency plans for that eventuality.

We are also concerned about the high growth rates in many program areas. Utilization and other factors are driving their annual costs well beyond revenue growth, or the inflation rate. We intend to review the available options for finding ways to check the excessive expenditure growth rates.

CONCLUSION

So far, the 1980's decade has not been kind to Newfoundland and Labrador. The severe recession, changed world markets for our exports, the oil price collapse as Hibernia was delineated, repeated inshore fishery failures, to name just a few, have been events which swept over our fragile economy with destructive force. They arose from causes far beyond our control. In times past, when we were a sovereign entity, such a combination of adverse circumstances would have caused depression rather than a recession, and famine rather than mere economic hardship.

As part of Canada, we have escaped the worst potentials of the economic maelstrom this decade has visited upon us. We have not escaped unscathed. Some of our industries will never be the same again. Others have survived, some in different form, tougher and leaner, but somewhat exhausted by the struggle.

Arguably, we have been the Province of Canada hardest hit by the recession. We have never had the economic muscle and diversity of our sister Provinces, long in Confederation. The thirty-eight years of our Union have failed to give us real economic substance, although we have strived mightily to take on the full range of public services which a Canadian regards as his birthright. Our means to sustain them have always been strained to the limit. We should not be asked, nor would we agree, that our people should be thankful to receive half the Canadian loaf.

The combination of unrelieved economic under nourishment, and the heavy blows of the recession, have placed us at one of the turning points in our history. The circumstances which have led us to this point must not continue or our future is bleak indeed. Newfoundlanders and Labradorians have never willingly accepted bleak futures. We are already creatively seeking other paths, but, whether in taxes or in patience, we are already giving as much as we are able. It is our turn now to receive a boost.

If Canada has shielded us somewhat in the past, a distinctly different role is demanded of her in the future. Our four decades long travail has given us the right to petition, in polite but unmistakable tones, for a new deal within Confederation. One lifetime of regional disparity is enough. We acknowledge willingly past contributions but firmly say they have self-evidently been inadequate to our needs.

Essentially, we seek to share in the general wealth of Canada to which we are anxious and able to contribute. The plan to do so must be on our terms though we readily accept it must be evolved in compromising co-operation with all Canadians through the medium of our Central Government. We have the energy and the will, but alone, we lack the means.

This Budget is a beginning of the new message we wish to be heard and understood in our Nation's Capital.

SUPPLEMENTARY BUDGET INFORMATION

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ECONOMIC REVIEW AND OUTLOOK

A detailed review of the Province's economy is outlined in **The Economy—1987,** a publication released as part of the Budget documentation. A short summary of some of the major economic projections for 1987 is as follows:

- During 1986 the OECD countries continued to experience growth at an average of about 2.4%. Canada led the major industrial countries with growth of 3.3%, while the United States was slightly above the average at about 2.5%;
- Real Gross Domestic Product in the Province reached an all time high in 1986 as full recovery from the recession was finally achieved with growth of 1.9%. Growth was driven by strong gains in the fishery and pulp and paper industries as well as in the service sector. Employment in the Province also reached an all time high in 1986, increasing by 5,000 to 181,000 on an annual average basis. The unemployment rate decreased to 20.0% from 21.3% in 1985;
- Newfoundland and Labrador should experience another healthy year of growth in 1987, with Gross Domestic Product expected to increase in the order of 2.4% to 2.7%. Employment gains are expected and the unemployment rate should fall slightly to about 19.7%;
- Strong performance in the Province's export markets, particularly in the United States, where growth is expected to reach 2.8% in 1987, will mean that our resource industries, especially the fishery and pulp and paper, will have a good year. The service sector will continue its healthy performance in 1987 and the construction industry should experience significant growth assuming a Hibernia project release. Fiscal negotiations on the Hibernia project are being actively carried out between the companies and the Federal and Provincial Governments at this time.

1986-87 FINANCIAL RESULTS

In last year's Budget, Government projected a deficit on Current Account for 1986-87 of $49,300,000. Due to operating expenditures being contained at budgeted levels and because of favourable revenue variances, including positive equalization adjustments from the Government of Canada, Government is now estimating the 1986-87 Current Account deficit to be $40,900,000 or $8,400,000 less than that originally budgeted. Our Capital Account expenditures are also lower than the budgeted estimates primarily because of lower than anticipated expenditures with respect to Offshore Fund initiatives and several cash flow adjustments resulting in reduced expenditures. Our total borrowing requirements for the year will be some $40,900,000 lower than the original estimates as a result of the lower Current and Capital Account requirements, as well as $3,900,000 saving in debt retirement requirements.

The details of our 1986-87 financial performance are outlined below:

SUMMARY OF 1986-87 FINANCIAL PERFORMANCE

	Budget 1986-87	Revised 1986-87	Variance
	$	$	$
Current Account			
Gross Expenditure	2,274,200,000	2,274,000,000	200,000
Related Revenue	214,900,000	206,500,000	(8,400,000)
Net Expenditure	2,059,300,000	2,067,500,000	(8,200,000)
Provincial and Federal Revenues	2,010,000,000	2,026,600,000	16,600,000
Current Account Requirement	49,300,000	40,900,000	8,400,000
Capital Account			
Gross Expenditure	316,600,000	264,400,000	52,200,000
Related Revenue	78,300,000	54,700,000	(23,600,000)
Net Expenditure	238,300,000	209,700,000	28,600,000
Total Budgetary Requirement	287,600,000	250,600,000	37,000,000
Debt Retirement			
Redemptions	89,700,000	86,100,000	3,600,000
Sinking Funds	44,900,000	44,600,000	300,000
Total Debt Retirement	134,600,000	130,700,000	3,900,000
Total Financial Requirement	422,200,000	381,300,000	40,900,000

1987-88 BUDGETARY POSITION

Despite Government's relatively good financial performance in the last fiscal year, a number of factors have contributed to a serious worsening in our financial position for 1987-88, with the major ones outlined below:

- A major factor has been the slow growth of fiscal transfers caused to a large extent by the downward adjustment in Newfoundland's population by about 10,000, based upon preliminary 1986 census data. The lower population estimate will result in equalization transfers and EPF payments being lower than earlier forecast by $26,000,000 and $6,700,000 respectively. (The Federal Government has agreed to write off $35,000,000 in overpayments relating to prior years.);
- Certain prior year adjustments from Federal source revenues were received in 1986-87. These improved our position by $41,500,000 in 1986-87;
- Provincial income and consumption tax revenues are growing at a lesser rate than expenditures;

- A further problem is that growth in Federal EPF transfers has been restrained with only an adjusted growth rate of 1.2% projected for 1987-88, after allowing for prior year adjustments;
- Because of our bi-weekly pay system, there will be 27 pay periods for teachers and many of our public servants in 1987-88 as opposed to the normal 26 pay periods. This represents the normal functioning of a bi-weekly pay system, whereby 27 pay periods in a year occur approximately every eleven years. This represents an additional expenditure in 1987-88 of approximately $25,000,000;
- Salary growth for public servants, teachers, agencies, etc. in 1987-88 is higher than in recent years due to our exit from the wage freeze period;
- Other expenditure pressures include growth in debt costs, municipal grants, Medical Care Commission, services to senior citizens, reorganization of our community college system and student aid.

In light of these various factors, Government is projecting a deficit for 1987-88 of $172,700,000. The Table below outlines the details of our 1987-88 financial position.

COMPARATIVE SUMMARY OF BUDGETARY POSITION

	Estimates 1987-88	Revised 1986-87
	$	$
Current Account		
Gross Expenditure	2,489,000,000	2,274,000,000
Related Revenue	237,000,000	206,500,000
Net Expenditure	2,252,000,000	2,067,500,000
Provincial and Federal Revenues	2,079,300,000	2,026,600,000
Current Account Requirement	172,700,000	40,900,000
Capital Account		
Gross Expenditure	336,100,000	264,400,000
Related Revenue	132,500,000	54,700,000
Net Expenditure	203,600,000	209,700,000
Total Budgetary Requirement	376,300,000	250,600,000
Debt Retirement		
Redemptions	211,200,000*	86,100,000
Sinking Funds	51,100,000	44,600,000
Total Debt Retirement	262,300,000	130,700,000
Total Financial Requirement	638,600,000	381,300,000

* Extraordinary increase is largely a result of exercising an early retirement option on issue EU5 ($60,000,000 U.S., 17¼%)

As the Table reflects, Government is projecting growth in net Current Account expenditures of 8.9% over 1986-87, while Current Account revenue will increase by only 2.6%. It is important to note that the underlying growth rate in our revenues is actually 5.5%. The actual revenue growth rate in the year-over-year numbers is distorted by the impact of the non-recurring items already mentioned.

FISHERY PRODUCTS INTERNATIONAL LIMITED

It was announced recently that Fishery Products International (F.P.I.) has entered into an underwriting agreement for the sale to the public of 14,160,000 common shares at a price of $12.50 per share, for total proceeds of $177,000,000. One of the prime objectives of the restructuring of the deep sea trawler companies in 1983 and the subsequent equity investment by Government was to allow F.P.I. to undertake an economic and financial renewal which would lead to a successful return to private ownership as soon as possible.

F.P.I. has shown a remarkable turnaround from losses of $35,000,000 in 1984 and $20,000,000 in 1985 to profits in 1986 of $46,400,000. The privatization of F.P.I. will be completed on April 15, 1987 with the buy-out of Federal and Provincial Government interests by private shareholders. The Federal share will amount to $104,300,000 and the Province will receive $48,700,000.

Government is pleased that the privatization of F.P.I. has been accomplished well ahead of our earlier expectations and is confident that F.P.I. will continue to have a positive economic and social impact in the Province. Government is particularly pleased that the employees on whom the Company depends for its success will be full partners in that success through the immediate granting of shares and an ongoing employee share purchase plan which is being implemented.

1987-88 MAJOR EXPENDITURE PROGRAMS

This section outlines a number of the more noteworthy of Government's expenditure programs for 1987-88. Some of these are referred to in the body of the Budget Speech.

Career Development and Advanced Studies

A major area of Government's emphasis at this time is that of post-secondary education. The Department of Career Development and Advanced Studies has been given the mandate to prepare the youth of this Province for the new technologies that will be encountered in the future. Towards that end, a number of specific initiatives are being funded in the coming year.

The reorganization of our post-secondary education system has as its main characteristic the establishment of a Provincial Community College System. Included in the 1987-88 Budget is funding to commence the implementation of segments of the new system beginning in September, 1987.

As with any major change of this nature, some aspects will have to be implemented over a period of time, but the major structural support system will be put in place during this fiscal year, and provision has been made in the Budget to permit the Department of Career Development and Advanced Studies to either implement or initiate all aspects that are feasible from a programming perspective.

Some of the important initiatives that will be commenced during this fiscal year are:

- The offering of first year University credit courses at certain of our community college campuses;
- The establishment of a number of specialty welding centres throughout the Province;
- The establishment of library resource centres in various community college regions;
- The updating and expanding of engineering technologies related to offshore oil and gas activities; and
- The upgrading of our training capability in various computer-related technologies.

The 1987-88 Budget provides $2,000,000 to commence construction of the $7,000,000 Fine Arts School at Sir Wilfred Grenfell College. When this School is fully operational, it will provide an important addition to the overall cultural development of our Province and provide opportunities for many Newfoundlanders to pursue studies in the Visual and Performing Arts in the Province.

The Budget also provides $1,000,000 in this fiscal year to commence a $3,000,000 project for renovations and an extension to the Fisher Institute of Applied Arts and Technology.

Job Creation Initiatives

To replace its existing job creation programs, Government will introduce a major $12,500,000 program in the Department of Career Development and Advanced Studies in 1987-88 designed to provide employment in meaningful projects that contribute not only to the economic development of the Province's resource and service industries, but also to the development of the skills of our workers. The Program will recognize the difficulties experienced by young people below the age of 25 years in finding employment by targeting a portion of the jobs created to this group. The program should contribute significantly to bridging the gap between school and the workplace. A portion of the Provincial employment program will be private sector based and the objective will be to encourage long term employment of new employees in that sector. These programs are expected to generate up to 6,000 jobs.

The Community Development Program in the Department of Social Services continues to operate as a very successful program which provides an opportunity for meaningful employment for social assistance recipients as an

alternative to long term social assistance dependency. During the past year, in excess of 13,000 individuals were placed in employment throughout the Province. In 1987-88, we are providing $29,000,000 for employment creation through this Program, as well as an amount of $2,500,000 which will be spent through the Federal/Provincial Employment Enhancement Program. Both programs are expected to employ up to 15,000 individuals.

The Institute of Fisheries and Marine Technology is well positioned to foster growth in the aquaculture industry, which has considerable potential for future employment opportunities. In 1987-88, $250,000 will be provided for demonstration facilities for pilot scale farming, and additional funds of approximately $100,000 for operating costs associated with aquaculture training initiatives. Training and research activities in aquaculture at the Institute, coupled with job creation initiatives in this area, will go a long way towards building an aquaculture industry in the Province.

Offshore Development Fund

Substantial funding has been made available from the Offshore Development Fund in 1987-88. The Government of Newfoundland has assigned high priority to using the $300,000,000 Fund (which is cost-shared 75% Federal, 25% Provincial) for projects which are designed to give major long term economic benefits to the Province. Projects valued at $66,600,000 were recently approved. This brings the total number of projects approved to date to thirteen, with a value of $103,600,000. This Budget reflects gross expenditures of $14,900,000 and $34,100,000 in Current and Capital expenditures, respectively, to carry out these projects. Recently approved projects are:

- $2,700,000 contribution to the Centre for Remote Medicine and Telemedicine at Memorial University;
- $17,400,000 for a Research and Development Program designed to establish a stronger petroleum-related research and development presence in the Province;
- $21,100,000 for a Petroleum Technology Training Program;
- $20,000,000 for an Offshore Fabrication Enhancement Program at Marystown Shipyard Limited;
- $3,000,000 for an Offshore Technology Transfer Opportunities Program designed to transfer new offshore-related technology and management techniques to the Newfoundland business community;
- $1,300,000 for an Industrial Infrastructure Planning Program; and
- $600,000 for a road to improve access to the Cow Head oil rig repair facility.

Tourism

The attractive logo which appears on the cover of the Budget documents, has been developed as part of the "World of Difference" theme which is used extensively in our tourism literature and other promotional and advertising initiatives. The use of the logo on the Budget cover signifies the strong commitment of this Government to tourism development in the Province.

Fiscal year 1986-87 was the second year of implementation of the $21,000,000 Federal/Provincial Tourism Subsidiary Agreement. Also in 1986-87, the Province entered into an aggressive tourism advertising campaign in its major marketplaces — Ontario, the Northeastern United States and the Maritimes, using television, magazine, radio and newspapers. The 1986 budget for this campaign approximated $1,300,000. This year's Budget contains approximately $1,500,000 for the tourism marketing campaign, with the Province to spend approximately $3,600,000 as its share under the Tourism Subsidiary Agreement.

Energy Conservation

The recently established Department of Energy is committing approximately $1,200,000 for improving the efficiency of energy use in the Province, particularly in private homes and public buildings such as schools, hospitals and arenas. In addition, approximately $1,700,000 will be spent on development of our indigenous alternative energy resources, with the focus on burning wood chips to heat large buildings and industrial plants.

Mineral Development

Mineral exploration activity in the Province is growing significantly, which augurs well for the discovery and development of new mineral deposits in the future. Claim staking activity has grown steadily since 1983 and the number of claims in good standing has doubled over that period to over 31,000 at the end of 1986. This year we expect to see exploration activity exceed $20,000,000.

The most prominent development in the recent history of our mineral industry is the Hope Brook gold mine project, which, when fully operational, will employ approximately 275 people. It is the catalyst enabling extension of hydroelectric power to Burgeo and Grand Bruit. To facilitate and assist the development, the Government is providing grant and loan assistance to the project itself, and providing for the construction of the main power line to Burgeo. The Province's assistance involves a total allocation of $19,500,000 in 1987-88.

The Government is continuing to support the operation of Baie Verte Mines Incorporated by financial support to the Company for the removal of excess waste rock from the mine. Based on current reserves, it is expected that the mine should be capable of supporting an economic operation for several years into the future.

Agriculture

On March 27 past, this Government and the Government of Canada signed a "Canada/Newfoundland Subsidiary Agreement on a Livestock Feed Initiative". Its main objective is to promote the growth of a viable agri-food industry by increasing the quantity and quality of livestock feed produced in the Province. The Agreement extends to 1991 and earmarks $4,800,000 over the four year period, of which $1,500,000 has been provided in the 1987-88 Budget. It is cost-shared 83% Federal, 17% Provincial.

While this Agreement provides funds for an important sector of the industry, a comprehensive Federal/Provincial Agreement covering all aspects of agriculture is essential. In view of the absence of such a comprehensive agreement, Government has budgeted for an Agriculture Development Fund for 1987-88. This marks the third straight year for such support and $1,300,000 has been allocated for this fiscal year.

Fisheries

Some of the Province's major initiatives in fisheries development for 1987-88 include:

- $7,000,000 to be provided to the Fisheries Loan Board for loans and other assistance to the inshore fishery;
- $4,700,000 in capital expenditures on fisheries infrastructure to provide improved fleet servicing and port facilities to inshore fishermen;
- $750,000 to finance the completion of two new middle distance vessels being constructed at Marystown Shipyard in the 1987-88 fiscal year at a total cost of $8,800,000; and
- $450,000 is provided in the Department of Fisheries to support aquaculture research and development, in addition to the initiatives already mentioned for aquaculture training and research in the Department of Career Development and Advanced Studies.

Marystown Shipyard Limited

Throughout the fisheries restructuring process, Government has continued its efforts to ensure that wherever possible, the trawler replacement program proposed by Fishery Products International would be undertaken at Marystown Shipyard. Discussions have been ongoing since the restructuring agreement was entered into in 1983 and have led to a joint commitment by the Province and the Federal Government to provide $10,500,000 each towards the cost of constructing up to seven trawlers at Marystown. The trawler replacement program of Fishery Products International will commence at Marystown Shipyard before the end of 1987. The estimated total cost is in excess of $60,000,000 and it will cover a three to four year period.

Forestry

One of Government's top priorities is to ensure the continued viability of the forest industry and to improve the productivity of the forest resource. The reforestation program in 1987 will be the biggest ever in this Province. It will involve planting of 12 million seedlings, which is double the previous high. The silviculture program will be carried out with the co-operation of the forest industry and the Federal Government. Together with the special Job Creation Program just announced (a portion of which will be devoted to forestry projects), $9,400,000 will be spent in silviculture in 1987, resulting in the creation of at least 1,400 jobs of varying duration throughout the Province.

Transportation

The provision of adequate transportation facilities continues to be an important part of this Government's expenditure program. In the coming year, the following represent the more significant programs being carried out by the Department of Transportation:

- An allocation of $40,000,000 for a 100% Provincial construction program. This funding will be used to continue to upgrade the remaining gravel roads throughout the Province, pave existing roads, and rehabilitate existing bridges and causeways;
- An allocation of $36,100,000 for the Federal/Provincial Highways Agreement;
- Funding of $3,000,000 to commence construction of a Motor Registration Building in Mount Pearl. When this building is completed, at a total cost of $8,800,000, it will also include regional office space for the Departments of Health and Social Services; and
- Funding of $9,800,000 provided for the acquisition of a further two CL-215 waterbombers due to be received by the Province early in 1988.

Municipal Assistance

In recognition of Government's ongoing commitment to municipalities, some $25,000,000 in loan approvals will be provided to address, as far as possible, the critical need for water and sewer systems and paving projects throughout the Province.

This provision, in addition to approximately $24,000,000 to complete municipal projects funded in prior years, should generate nearly $50,000,000 in construction activity in the Province, providing important employment opportunities in that sector of our economy.

Health

The new hospital on the Burin Peninsula will be completed this year. The major redevelopment of the Central Newfoundland Regional Health Centre at Grand Falls will also continue with the expenditure of $8,000,000 during this year. Additionally, Government will continue with the $8,300,000 redevelopment

and expansion of Agnes Pratt Nursing Home in St. John's and the $4,400,000 expansion to the Golden Heights Manor Nursing Home at Bonavista. An amount of $4,000,000 will be provided in this Budget to continue the construction of the new chronic care facility and the new medical clinic for Botwood. In addition to these above-mentioned projects, the Budget contains funding of $3,800,000 for other projects in the health care sector.

Social Services

Provision is made in the estimates of the Department of Social Services for a 4% increase in all components of the social assistance rates effective May 1, 1987.

Also, Government will be assisting the Canadian National Institute for the Blind with the replacement of its present building on the Boulevard with a new provincial facility expected to cost in the vicinity of $1,300,000. The Government has agreed to contribute $450,000 toward the cost of this project over the next three years, with a contribution of $150,000 each year.

Education

Last year Government introduced a School Tax Equalization Grant which distributed $2,000,000 to boards to alleviate to some degree certain inequities in the school tax system. This grant will be continued and increased by $500,000 to $2,500,000 in the coming year.

The operating grant provided to all school boards will be increased by 4% on a per-pupil basis, and the special grant of $1,300,000 to compensate school boards for lost revenues related to declining pupil enrolments will be continued.

Justice

The Government plans to commit approximately $200,000 to enhance training for volunteer firefighters throughout the Province. This will be accomplished mainly by upgrading the Mobile Firefighter Training Program operated by the Fire Commissioner's Office, and also by assisting in the training of senior volunteer firefighters at the Marine Institute facility at Foxtrap.

It is Government's intention to develop a more effective mechanism for the collection of court-ordered maintenance payments and plans to commit approximately $50,000 to develop an appropriate legislative, administrative and financial structure for a Maintenance Orders Enforcement Agency. These monies will be supplemented by the Federal Family Provisions Enforcement Assistance Fund. The success rate in other provinces that have adopted this system has been excellent.

Newfoundland and Labrador Hydro Corporation

Newfoundland and Labrador Hydro will expend $50,000,000 on capital projects in 1987-88, of which $13,000,000 will relate to the extension of the Provincial power grid to service the Hope Brook Gold Mine on the southwest coast of the Island and to interconnect the communities of Burgeo and Grand Bruit in that area. Also, approximately $8,000,000 will be expended for the construction

of a spillway gate on the Bay d'Espoir reservoir, and $2,400,000 will be spent on the commencement of the interconnection of Fogo Island and Change Islands to the Provincial power grid.

Communities in the Province which are not interconnected with the Provincial power grid are served by electricity produced by diesel generation, the production cost of which is more expensive than that produced on the grid. It has been Government's policy that customers served by diesel generated electricity pay the same rate for the first 500 kilowatt hours per month of consumption as customers who are served from the interconnected grid. Government has now decided to increase the quantity of electricity for which the lower interconnected rate applies from 500 kilowatt hours per month to 600 kilowatt hours per month effective April 1, 1987. This measure will give some relief to those customers who rely on higher cost diesel generated electricity.

Newfoundland and Labrador Housing Corporation

The Provincial Government has approved gross expenditures for the Newfoundland and Labrador Housing Corporation in excess of $160,200,000, representing Capital Account expenditures of $79,700,000 and Current Account expenditures of $80,500,000. The net Provincial grant associated with the Corporation's 1987-88 program is in the order of $13,900,000. A significant component of the activity of the Corporation in the fiscal year will be the delivery of an estimated 400 new units of social housing to low income families, senior citizens and special needs groups.

Government has also approved an additional amount of $366,000 as its share of a total Federal/Provincial program of $1,500,000 in the Corporation's 1987-88 Current Account budget in order to provide a further enrichment of its heating allowance for some 5,300 of its low income tenants, as well as clients of the rural and native housing programs.

An amount of $14,700,000 has been allocated for residential land development, with the result that an additional 330 building lots will be brought onto the market in the coming year in Mount Pearl, Cowan Heights and other areas of the Province.

Pensions

In July, 1986, the actuarial reports on the various pension plans coming under the responsibility of Government were released. It was also indicated at that time that a process of consultation with employee representatives would commence to ensure that they understand the basic status of our pension plans, and that Government would be developing a program of corrective measures designed to place the plans on a sound financial footing. Several information meetings have taken place with employee organizations and additional meetings are scheduled in the very near term. Government recognizes the complexities of pension matters and is aggressively reviewing each of the Provincial plans so that the first series of corrective measures can be finalized later in the 1987-88 year.

Government will be increasing pension benefits effective April 1, 1987. The amount of the increase will vary from 3% to a maximum of 10%, depending on the date of retirement. Those who retired prior to April 1, 1977 will receive the larger increases with those at the very low end of the scale receiving a minimum of $240.

BUDGET
1987

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STATEMENT I

NEWFOUNDLAND AND LABRADOR

SUMMARY OF BORROWING REQUIREMENTS AND SOURCES OF FUNDS

1987-88 and 1986-87 (Revised)

	1987-88 Estimates		1986-87 Revised	
	($000)	($000)	($000)	($000)
BUDGETARY REQUIREMENTS				
Current Account:				
Gross Expenditure	2,489,022		2,273,981	
Related Revenues	237,064		206,517	
Net Expenditure	2,251,958		2,067,464	
Provincial and Federal Revenues	2,079,285		2,026,560	
Current Account Requirement		172,673		40,904
Capital Account:				
Gross Expenditure	336,038		264,415	
Related Revenues	132,475		54,711	
Net Expenditure		203,563		209,704
TOTAL BUDGETARY REQUIREMENTS		376,236		250,608
NON-BUDGETARY TRANSACTIONS				
DEBT RETIREMENT				
Redemptions (See Appendix II)	211,255[1]		86,110	
Sinking Funds (See Appendix II)	51,082		44,615	
		262,337		130,725
TOTAL BORROWING REQUIREMENTS		638,573		381,333
SOURCES OF BORROWINGS				
General Borrowings[2]		586,473		321,674
Canada Pension Plan		52,100		59,659
TOTAL SOURCES		638,573		381,333

[1] Extra-ordinary increase is largely a result of exercising an earlier retirement option on issue EU5 ($80,000,000 U.S., 17¼%).

[2] General borrowings include capital market issues, short term credit and treasury bills.

STATEMENT II

COMPARATIVE SUMMARY OF CURRENT REVENUES

1987-88 Estimates and 1986-87 Revised

	1987-88 Estimates	1986-87 Revised
	($000)	($000)
PROVINCIAL:		
Taxation:		
Retail Sales Tax	436,000	415,500
Personal Income Tax	322,300	283,259
Gasoline Tax	68,000	65,200
Corporate Income Tax	57,400	65,398
Tobacco Tax	41,100	40,500
Mining Tax and Royalties	21,000	31,970
Insurance Companies Tax	10,500	8,100
Other	5,385	4,761
	961,685	914,688
General Revenues:		
Newfoundland Liquor Corporation	79,500	73,000
Vehicle and Drivers Licences	23,600	22,350
Lottery Revenues	12,400	10,848
Registry of Deeds	5,750	5,450
Fines and Forfeitures	4,000	3,700
Other	11,315	10,578
	136,565	125,926
Expenditure Programs — Related Revenues:		
Interest Income	18,550	19,290
Other	62,833	47,367
	81,383	66,657
TOTAL: PROVINCIAL REVENUES	1,179,633	1,107,271
GOVERNMENT OF CANADA:		
Fiscal Transfer Payments:		
Equalization Payments	735,000	738,000
Established Programs Financing Grant	224,500	226,600
Provincial Share of Utility Companies Tax	11,600	11,602
Term 29 Award	8,000	8,000
Statutory Subsidies	1,935	1,744
	981,035	985,946
Cost Shared Programs:		
Canada Assistance Plan	87,976	89,241
Resource	22,529	12,290
Manpower Training	15,777	17,930
Native Peoples	4,927	4,812
Other	24,472	15,587
	155,681	139,860
TOTAL: GOVERNMENT OF CANADA REVENUES	1,136,716	1,125,806
TOTAL: CURRENT REVENUES	2,316,349	2,233,077

STATEMENT III

SUMMARY OF CURRENT AND CAPITAL ACCOUNT EXPENDITURES

1987-88 and 1986-87 Revised

	1987-88			1986-87
	Gross Expenditure	Related Revenue	Net Expenditure	Revised (Net)
	$	$	$	$
General Government Sector				
Consolidated Fund Services	493,315,800	20,464,000	472,851,800	436,248,800
Executive Council	9,555,100	183,900	9,371,200	8,705,000
Finance	49,554,800	62,311,500	(12,756,700)	37,280,200
Legislature	8,167,500	148,100	8,019,400	7,342,600
Public Works and Services	46,655,300	2,679,700	43,975,600	35,937,900
Resource Sector				
Development and Tourism	43,908,700	12,157,700	31,751,000	21,291,200
Energy	79,902,200	15,567,500	64,334,700	46,070,900
Environment	9,705,000	5,304,900	4,400,100	3,733,400
Fisheries	31,000,000	9,792,500	21,207,500	17,637,400
Forest Resources and Lands	36,375,300	12,734,300	23,641,000	21,143,800
Mines	14,276,800	1,257,400	13,019,400	7,164,400
Newfoundland and Labrador Housing Corporation	13,925,000	4,170,000	9,755,000	9,097,700
Rural, Agricultural and Northern Development	39,013,800	15,950,100	23,063,700	18,897,600
Transportation	195,833,900	30,787,500	165,046,400	156,385,700
Social Sector				
Career Development and Advanced Studies	209,603,800	32,601,300	177,002,500	146,413,600
Consumer Affairs and Communications	2,597,800	—	2,597,800	2,203,800
Culture, Recreation and Youth	35,706,500	2,036,000	33,670,500	31,240,800
Education	457,595,800	9,693,200	447,902,600	408,428,800
Health	651,043,800	26,557,700	624,486,100	585,345,000
Justice	88,066,600	12,066,000	76,000,600	76,413,200
Labour	7,636,600	3,380,000	4,256,600	3,887,700
Municipal Affairs	109,661,600	9,464,900	100,196,700	91,464,900
Social Services	191,959,100	80,231,200	111,727,900	104,833,700
TOTAL	2,825,060,800	369,539,400	2,455,521,400	2,277,168,100

AMOUNT TO BE VOTED 1987-88

Gross Current and Capital Expenditure		$2,825,060,800
Less: Expenditures Approved by Statute:		
Interest	452,918,900	
Pensions and Gratuities	26,630,000	
Rental Purchases	3,891,400	
Debt Management Expenses	11,016,900	
Issues under Guarantee	450,000	
Salaries (Comptroller General and Auditor General)	151,400	495,058,600
Amount to be voted by Supply Bill		$2,330,002,200

STATEMENT IV

SUMMARY OF CURRENT ACCOUNT EXPENDITURES

1987-88 and 1986-87 Revised

	1987-88			1986-87
	Gross Expenditure ($000)	Related Revenue ($000)	Net Expenditure ($000)	Revised (Net) ($000)
General Government Sector				
Consolidated Fund Services	492,866	20,463	472,403	434,817
Executive Council	9,500	184	9,316	8,705
Finance	38,853	5,138	33,715	30,823
Legislature	8,167	148	8,019	7,343
Public Works and Services	30,244	2,490	27,754	26,272
Resource Sector				
Development and Tourism	30,811	11,618	19,193	12,075
Energy	50,503	2,068	48,435	45,646
Environment	9,705	5,305	4,400	3,733
Fisheries	16,123	3,691	12,432	10,902
Forest Resources and Lands	33,449	10,985	22,464	19,432
Mines	8,675	1,257	7,418	6,664
Newfoundland and Labrador Housing Corporation	11,425	4,170	7,255	8,900
Rural, Agricultural and Northern Development	29,561	11,426	18,135	16,233
Transportation	90,817	4,425	86,392	82,546
Social Sector				
Career Development and Advanced Studies	173,330	19,296	154,034	132,331
Consumer Affairs and Communications	2,598	–	2,598	2,204
Culture, Recreation and Youth	29,405	1,916	27,489	26,214
Education	433,096	7,993	425,103	380,379
Health	623,332	26,363	596,969	556,728
Justice	84,192	12,045	72,147	72,180
Labour	7,637	3,380	4,257	3,888
Municipal Affairs	83,769	2,522	81,247	74,906
Social Services	190,964	80,181	110,783	104,543
TOTAL	2,489,022	237,064	2,251,958	2,067,464

STATEMENT V

SUMMARY OF CAPITAL ACCOUNT EXPENDITURES

1987-88 and 1986-87 Revised

	1987-88			1986-87
	Gross Expenditure	Related Revenue	Net Expenditure	Revised (Net)
	($000)	($000)	($000)	($000)
General Government Sector				
Consolidated Fund Services	450	1	449	1,432
Executive Council	55	–	55	–
Finance	10,702	57,174	(46,472)	6,458
Public Works and Services	16,412	190	16,222	9,666
Resource Sector				
Development and Tourism	13,096	540	12,558	9,216
Energy	29,400	13,500	15,900	425
Fisheries	14,876	6,100	8,776	6,735
Forest Resources and Lands	2,926	1,749	1,177	1,712
Mines	5,600	–	5,600	500
Newfoundland and Labrador Housing Corporation	2,500	–	2,500	198
Rural, Agricultural and Northern Development	9,453	4,525	4,928	2,665
Transportation	105,015	26,361	78,654	73,840
Social Sector				
Career Development and Advanced Studies	36,273	13,305	22,968	14,083
Culture, Recreation and Youth	6,302	120	6,182	5,027
Education	24,500	1,700	22,800	28,050
Health	27,712	195	27,517	28,613
Justice	3,875	21	3,854	4,234
Municipal Affairs	25,893	6,943	18,950	16,559
Social Services	996	51	945	291
TOTAL	336,038	132,475	203,563	209,704

Note: For details refer to Appendix III.

STATEMENT VI

SUMMARY OF RELATED REVENUES AND EXPENDITURES BY MAIN OBJECT AND SECTOR

1987-88 and 1986-87 Revised

	General Government Sector 1987-88	Resource Sector 1987-88	Social Sector 1987-88	Total 1987-88	% of 1987/88 Total	Total 1986-87 Revised
	($000)	($000)	($000)	($000)	%	($000)
Current:						
Salaries	35,383	85,494	193,968	314,845	12.6	282,380
Employee Benefits	46,827	139	381	47,347	1.9	42,150
Transportation and Communications	12,446	10,122	11,053	33,621	1.4	33,561
Supplies	7,798	41,580	21,041	70,419	2.8	64,824
Professional Services	6,774	9,222	40,203	56,199	2.3	51,388
Purchased Services	27,792	28,083	14,123	69,998	2.8	64,123
Property, Furnishings and Equipment	446	2,107	2,827	5,380	0.2	6,273
Allowances and Assistance	2,846	342	215,949	219,137	8.8	204,561
Grants and Subsidies	2,906	95,120	1,105,099	1,203,125	48.4	1,092,553
Debt Expenses	465,970	2,031	950	468,951	18.8	432,168
Expenditure by Sector before Recharges	609,188	274,240	1,605,594	2,489,022	100.0	2,273,981
Voted in Other Departments & Divisions	3,675	10,712	20,864	35,251		34,383
Provided in Other Departments	68	—	1,865	1,933		2,069
Recharged to Other Departments & Divisions	(33,301)	(3,883)	—	(37,184)		(36,452)
Gross Current Expenditure	579,630	281,069	1,628,323	2,489,022		2,273,981
Federal Revenue Sources	2,442	32,810	120,429	155,681	65.7	139,860
Provincial Revenue Sources	25,981	22,135	33,267	81,383	34.3	66,657
Total Current Related Revenues	28,423	54,945	153,696	237,064	100.0	206,517
Net Current Expenditure	551,207	226,124	1,474,627	2,251,958		2,067,464
Capital:						
Salaries	—	7,055	96	7,151	2.1	6,496
Employee Benefits	—	7	—	7	—	5
Transportation & Communications	—	1,211	12	1,223	0.4	1,158
Supplies	—	8,625	149	8,774	2.6	9,787
Professional Services	60	505	38	603	0.2	496
Purchased Services	—	65,974	1,738	67,712	20.2	64,732
Property, Furnishings and Equipment	37,280	48,120	33,670	119,070	35.4	92,672
Loans, Advances and Investments	10,900	19,800	—	30,700	9.1	25,856
Allowances and Assistance	—	8	—	8	—	4
Grants and Subsidies	737	28,319	68,968	98,024	29.2	60,558
Debt Expenses	2,048	479	239	2,766	0.8	2,651
Expenditure by Sector before Recharges	51,025	180,103	104,910	336,038	100.0	264,415
Voted in Other Departments & Divisions	55	2,765	18,935	21,755		30,205
Provided in Other Departments	252	—	1,706	1,958		2,236
Recharged to Other Departments & Divisions	(23,713)	—	—	(23,713)		(32,441)
Gross Capital Expenditure	27,619	182,868	125,551	336,038		264,415
Federal Revenue Sources	25	45,184	22,119	67,328	50.8	40,746
Provincial Revenue Sources	57,340	7,591	216	65,147	49.2	13,965
Total Capital Related Revenues	57,365	52,775	22,335	132,475	100.0	54,711
Net Capital Expenditure	(29,746)	130,093	103,216	203,563		209,704
Total Net Expenditure	521,461	356,217	1,577,843	2,455,521		2,277,168

EXHIBIT I

SELECTED ECONOMIC STATISTICS

1983 to 1986

	1986	% Change	1985	% Change	1984	% Change	1983
Population (000's) — as of June 1 (Note 1)	580	-0.1	581	0.2	579	0.6	576
Gross Domestic Product ($ Millions)**	6,100*	4.5	5,835*	7.0	5,452	10.4	4,938
Total Personal Income ($ Millions)	6,220*	4.5	5,955*	6.0	5,618	6.3	5,287
Per Capita Personal Income ($)	10,724*	4.6	10,250*	5.6	9,703	5.7	9,179
Labour Force (000's) (Annual Average)	226	0.9	224	1.4	221	3.3	214
Employment (000's) (Annual Average)	181	2.8	176	—	176	1.1	174
Unemployment Rate (%) (Annual Average)	20.0	-6.1	21.3	3.9	20.5	9.0	18.8
Wages and Salaries ($ Millions)	3,196.7*	4.3	3,065	3.6	2,958	5.2	2,811
Consumer Price Index (1981=100) (Annual Average)	131.6	3.0	127.8	4.2	122.7	4.4	117.5
Total Volume of Fish Landings (Thousands of Metric Tons) (Roundweight)	493.8*	5.2	469.2*	4.4	449.3	-1.4	455.8
Total Value of Fish Landings ($ Millions)	197.6*	17.9	167.6*	3.1	162.5	-1.9	165.7
Pulpwood Production (000's of Cunits)	578.8	-7.6	626.7	-8.7	686.5	34.1	511.9
Iron Ore Shipments (Millions of Metric Tons)	19.5*	-3.5	20.2	-4.7	21.2	15.2	18.4
Gross Value of Manufacturing Shipments ($ Millions)	1,555.0*	13.5	1,370.0*	17.1	1,170.3	-0.4	1,174.8
Private and Public Investment ($ Millions)	2,449.4*	-0.8	2,468.1*	6.2	2,323.0	8.5	2,141.0
Dwelling Starts (Number)	2,883	1.0	2,854	4.9	2,720	-17.1	3,281
Retail Trade ($ Millions)	2,391.8*	6.1	2,254.1	8.8	2,071.1	5.1	1,970.5
New Motor Vehicle Sales ($ Millions)	309.4*	10.5	280.0	15.9	241.5	15.1	209.8

* Preliminary

** GDP at Factor Cost

Note 1 — The 1986 population estimate is the official Statistics Canada preliminary estimate for population and is not adjusted for the 1986 Census counts. As well, population figures for prior years have not yet been restated accordingly.

Source: Statistics Canada
Newfoundland Statistics Agency, Executive Council.

EXHIBIT II

ESTIMATED PROVINCIAL AND FEDERAL REVENUES
1987-88 and 1986-87 Revised

	1987-88 Estimates	1986-87 Revised
	($000)	($000)
PROVINCIAL TAX SOURCES:		
Retail Sales Tax	436,000	415,500
Personal Income Tax	322,300	283,259
Gasoline Tax	68,000	65,200
Corporate Income Tax	57,400	65,398
Tobacco Tax	41,100	40,500
Mining Tax and Royalties	21,000	31,970
Insurance Companies Tax	10,500	8,100
Corporate Capital Tax	3,000	2,000
Forest Management Tax	1,450	1,400
Marine Fuel Tax	800	1,250
Mineral Holdings Tax	120	100
Pari-Mutuel	15	11
TOTAL: Provincial Tax Sources	961,885	914,688
OTHER PROVINCIAL SOURCES:		
Newfoundland Liquor Corporation	79,500	73,000
Vehicle and Driver Licences	23,800	22,350
Lottery Revenues	12,400	10,848
Registry of Deeds	5,750	5,450
Fines and Forfeitures	4,000	3,700
Newfoundland Liquor Licencing Board	2,100	1,700
Inland Fish and Game Licences	1,800	1,700
Registry of Bills and Sales	1,800	1,500
Crown Lands	1,200	1,125
Timber Royalties	1,000	1,000
Park Permits	560	531
Mineral Leases	555	550
Insurance Companies, etc.	375	345
Lottery Licences	300	350
Food Licences	210	200
Birth Certificates	210	205
Court Fees	170	160
Cutting Permits	150	150
Gasoline Vendors	140	140
Mining Prospector Licences	135	130
Consumer Affairs	85	80
Sawmill Licences	80	80
Fish Buyer and Processor Licences	65	65
Firearm Acquisition Certificates	55	60
Other	525	507
TOTAL: Other Provincial Sources	136,565	125,926
TOTAL: PROVINCIAL SOURCES	1,098,250	1,040,614
GOVERNMENT OF CANADA:		
Equalization	735,000	738,000
Established Programs Financing	224,900	226,600
Pulpa	11,800	11,802
Term 29 Award	8,000	8,000
Statutory Subsidies	1,935	1,744
TOTAL: GOVERNMENT OF CANADA	981,035	985,946
TOTAL: CURRENT ACCOUNT REVENUES	2,079,285	2,026,560

EXHIBIT III

CURRENT AND CAPITAL REVENUES
PROVINCIAL AND FEDERAL SOURCES
1983-84 to 1987-88

	1987-88[1]		1986-87[2]		1985-86		1984-85		1983-84	
	($000)	%	($000)	%	($000)	%	($000)	%	($000)	%
Current Revenues:										
Provincial Sources	1,179,633	50.9	1,107,271	49.6	1,056,542	51.0	948,255	50.8	904,702	51.2
Federal Sources	1,136,716	49.1	1,125,806	50.4	1,016,039	49.0	919,215	49.2	863,763	48.8
Total: Current Revenues	2,316,349	100.0	2,233,077	100.0	2,072,581	100.0	1,867,470	100.0	1,768,465	100.0
Capital Revenues:										
Provincial Sources	65,147	49.2	13,965	25.5	18,363	28.7	11,456	14.6	11,050	18.1
Federal Sources	67,328	50.8	40,746	74.5	45,589	71.3	66,749	85.4	49,891	81.9
Total: Capital Revenues	132,475	100.0	54,711	100.0	63,952	100.0	78,205	100.0	60,941	100.0
Current and Capital Revenues:										
Provincial Sources	1,244,780	50.8	1,121,236	49.0	1,074,905	50.3	959,711	49.3	915,752	50.1
Federal Sources	1,204,044	49.2	1,166,552	51.0	1,061,628	49.7	985,964	50.7	913,654	49.9
Total: Current and Capital Revenues	2,448,824	100.0	2,287,788	100.0	2,136,533	100.0	1,945,675	100.0	1,829,406	100.0

1—Estimates

2—Revised

EXHIBIT IV

EXPENDITURE SUMMARY
1987-88 Estimated

Head	Total		Current		Capital	
	Gross ($000)	Net ($000)	Gross ($000)	Net ($000)	Gross ($000)	Net ($000)
Consolidated Fund Services	493,316	472,852	492,866	472,403	450	449
Executive Council	9,555	9,371	9,500	9,316	55	55
Finance	49,555	(12,757)	38,853	33,715	10,702	(46,472)
Legislature	8,167	8,019	8,167	8,019	—	—
Public Works and Services	46,656	43,976	30,244	27,754	16,412	16,222
Development and Tourism	43,909	31,751	30,811	19,193	13,098	12,558
Energy	79,903	64,335	50,503	48,435	29,400	15,900
Environment	9,705	4,400	9,705	4,400	—	—
Fisheries	30,999	21,208	16,123	12,432	14,876	8,776
Forest Resources and Lands	36,375	23,641	33,449	22,464	2,926	1,177
Mines	14,275	13,018	8,675	7,418	5,600	5,600
Newfoundland and Labrador Housing Corporation	13,925	9,755	11,425	7,255	2,500	2,500
Rural, Agricultural and Northern Development	39,014	23,063	29,561	18,135	9,453	4,928
Transportation	195,832	165,046	90,817	86,392	105,015	78,654
Career Development and Advanced Studies	209,603	177,002	173,330	154,034	36,273	22,968
Consumer Affairs and Communications	2,598	2,598	2,598	2,598	—	—
Culture, Recreation and Youth	35,707	33,671	29,405	27,489	6,302	6,182
Education	457,596	447,903	433,096	425,103	24,500	22,800
Health	651,044	624,486	623,332	596,969	27,712	27,517
Justice	88,067	76,001	84,192	72,147	3,875	3,854
Labour	7,637	4,257	7,637	4,257	—	—
Municipal Affairs	109,662	100,197	83,769	81,247	25,893	18,950
Social Services	191,960	111,728	190,964	110,783	996	945
TOTAL	2,825,060	2,455,521	2,489,022	2,251,958	336,038	203,563

EXPENDITURE SUMMARY
1986-87 Revised

Consolidated Fund Services	457,784	436,249	454,550	434,817	3,234	1,432
Executive Council	8,841	8,705	8,841	8,705	—	—
Finance	42,748	37,281	33,461	30,823	9,287	6,458
Legislature	7,493	7,343	7,493	7,343	—	—
Public Works and Services	37,999	35,938	28,213	26,272	9,786	9,666
Development and Tourism	24,299	21,291	15,015	12,075	9,284	9,216
Energy	49,164	46,071	47,614	45,646	1,550	425
Environment	4,070	3,733	4,070	3,733	—	—
Fisheries	24,925	17,637	14,090	10,902	10,835	6,735
Forest Resources and Lands	30,509	21,144	27,676	19,432	2,833	1,712
Mines	8,207	7,164	7,707	6,664	500	500
Newfoundland and Labrador Housing Corporation	10,272	9,098	8,900	8,900	1,372	198
Rural, Agricultural and Northern Development	33,450	18,898	26,855	16,233	6,595	2,665
Transportation	188,337	156,386	87,086	82,546	101,251	73,840
Career Development and Advanced Studies	172,905	146,414	151,783	132,331	21,122	14,083
Consumer Affairs and Communications	2,207	2,204	2,207	2,204	—	—
Culture, Recreation and Youth	33,082	31,241	27,910	26,214	5,172	5,027
Education	415,500	408,429	387,450	380,379	28,050	28,050
Health	611,027	585,341	582,153	556,728	28,874	28,613
Justice	85,644	76,414	81,387	72,180	4,257	4,234
Labour	6,426	3,888	6,426	3,888	—	—
Municipal Affairs	97,303	91,465	77,239	74,906	20,064	16,559
Social Services	186,204	104,834	185,855	104,543	349	291
TOTAL	2,538,398	2,277,168	2,273,981	2,067,464	264,415	209,704

EXHIBIT V

PUBLIC SECTOR DEBT

1983 to 1987

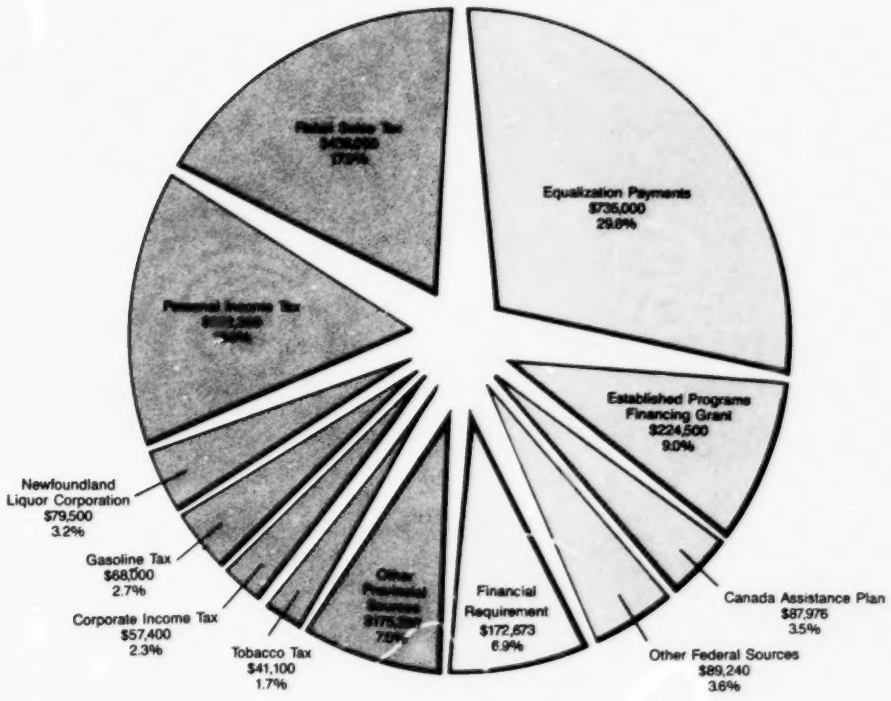
	Five Years ending March 31				
	1987*	1986	1985	1984	1983
	(Millions of dollars)				
Provincial Direct Debt:					
Payable in Canadian Dollars	1,340.7	1,232.3	989.8	890.2	704.7
Due Government of Canada	748.8	703.0	656.6	611.8	563.5
Payable in U.S. Dollars	1,366.7	1,239.3	1,352.3	1,177.5	1,128.1
Payable in Other Currencies	231.2	241.9	68.2	41.4	56.6
Total Direct Debenture Debt	3,687.4	3,416.5	3,066.9	2,720.9	2,452.9
Treasury Bills	130.0	130.0	130.0	130.0	65.0
Total Provincial Direct Debt	3,817.4	3,546.5	3,196.9	2,850.9	2,517.9
Crown Corporation and Other Debt:					
Utility	1,080.7	985.4	1,010.4	957.6	924.7
Housing	73.0	63.4	64.3	65.5	63.8
Municipal	492.6	470.9	419.9	383.6	320.2
School Board	—	—	—	—	98.4
Other	67.3	71.5	64.6	87.8	77.7
Total Crown Corporation and Other Debt	1,713.6	1,591.2	1,559.2	1,494.5	1,484.8
Deduct Sinking Funds held for Redemption of Debt:					
Provincial Obligations	911.2	826.6	697.3	580.1	504.9
Guaranteed Debt	259.3	188.6	145.0	106.7	90.7
Total Sinking Funds	1,170.5	1,015.2	842.3	686.8	595.6
Total Public Sector Debt	4,360.5	4,122.5	3,913.8	3,658.6	3,407.1

* Estimates

EXHIBIT VI

SUMMARY OF CURRENT REVENUES (By Source)

WHERE THE MONEY COMES FROM

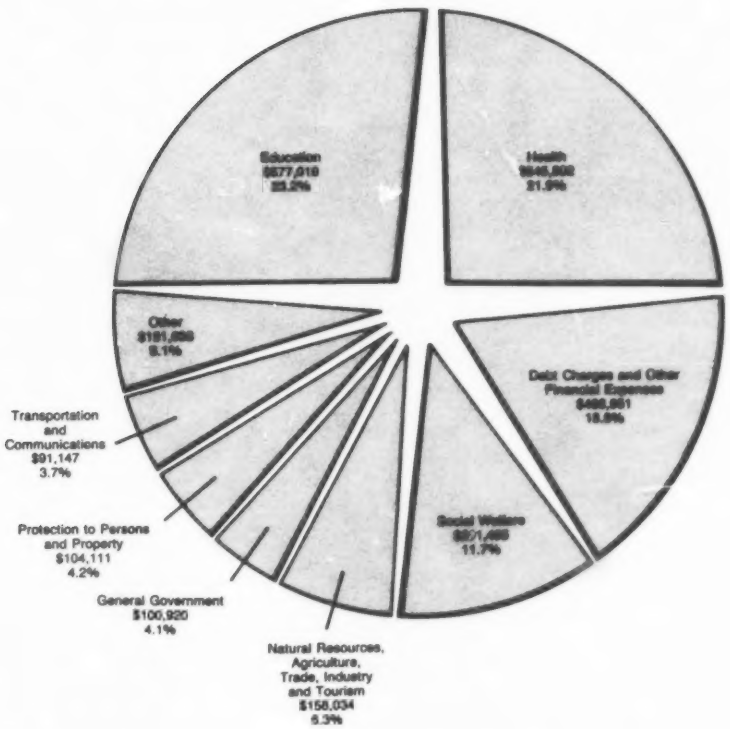


Percentage of Total		Source	Amount ($000)	
Revised 1986-87	Estimate 1987-88		Estimate 1987-88	Revised 1986-87
		Provincial:		
18.3	17.5	Retail Sales Tax	436,000	415,500
12.4	13.0	Personal Income Tax	322,300	283,259
3.2	3.2	Newfoundland Liquor Corporation	79,500	73,000
2.9	2.7	Gasoline Tax	68,000	65,200
2.9	2.3	Corporate Income Tax	57,400	65,398
1.8	1.7	Tobacco Tax	41,100	40,500
7.2	7.0	Other Provincial Sources	175,333	164,414
48.7	47.4	**Total: Provincial**	1,179,633	1,107,271
		Government of Canada:		
32.4	29.6	Equalization Payments	735,000	738,000
10.0	9.0	Established Programs Financing Grant	224,500	226,600
3.9	3.5	Canada Assistance Plan	87,976	89,241
3.2	3.6	Other Federal Sources	89,240	71,965
49.5	45.7	**Total: Government of Canada**	1,136,716	1,125,806
98.2	93.1	**Total: Current Revenues**	2,316,349	2,233,077
1.8	6.9	**Financial Requirement**	172,673	40,904
100.0	100.0	**Total**	2,489,022	2,273,981

EXHIBIT VII

SUMMARY OF CURRENT ACCOUNT EXPENDITURE (By Function)

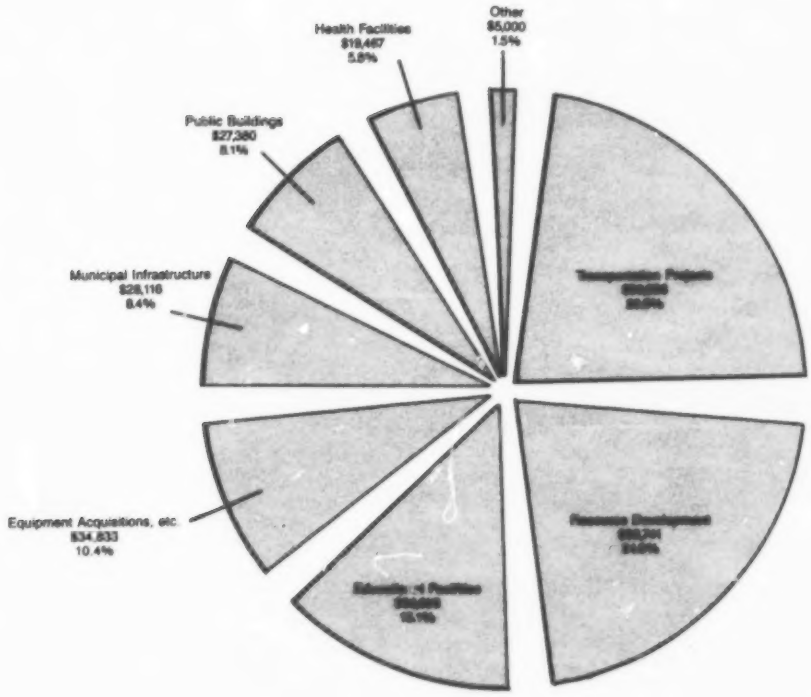
WHERE THE MONEY GOES



Percentage of Total		Function of Expenditure	Amount ($000)	
Revised 1986-87	Estimate 1987-88		Estimate 1987-88	Revised 1986-87
		Expenditure:		
22.9	23.2	Education	577,019	519,916
22.5	21.9	Health	545,802	511,039
19.0	18.8	Debt Charges and Other Financial Expenses	468,951	432,168
12.1	11.7	Social Welfare	291,405	276,118
5.7	6.3	Natural Resources, Agriculture, Trade, Industry and Tourism	158,034	129,341
4.0	4.1	General Government	100,920	92,184
4.3	4.2	Protection to Persons and Property	104,111	98,265
3.9	3.7	Transportation and Communications	91,147	88,077
5.6	6.1	Other	151,633	126,873
100.0	100.0	**Total: Expenditure**	2,489,022	2,273,981

EXHIBIT VIII

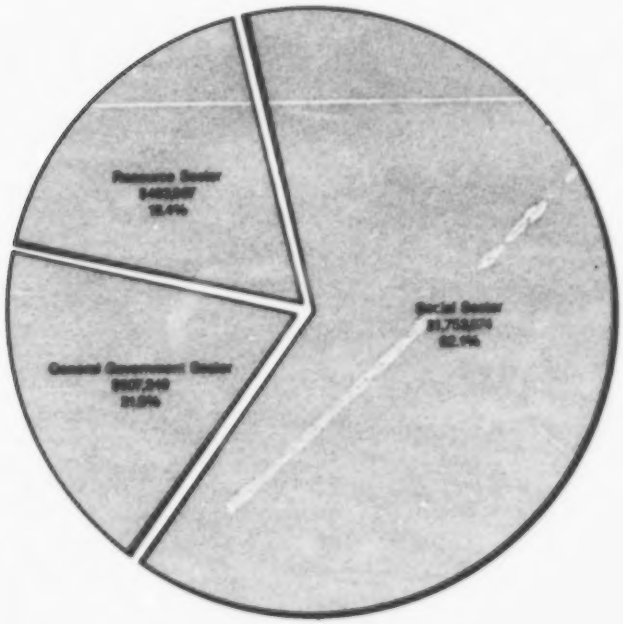
SUMMARY OF GROSS CAPITAL ACCOUNT EXPENDITURE
(By Category)



Percentage of Total		Category of Capital Expenditure	Amount ($000)	
Revised 1986-87	Estimate 1987-88		Estimate 1987-88	Revised 1986-87
		Expenditure:		
32.1	25.8	Transportation Projects	86,803	84,800
17.1	24.9	Resource Development	83,741	45,343
16.3	15.1	Educational Facilities	50,698	43,020
10.1	10.4	Equipment Acquisitions, etc.	34,833	26,850
8.5	8.4	Municipal Infrastructure	28,116	22,373
7.4	8.1	Public Buildings	27,380	19,547
8.0	5.8	Health Facilities	19,467	21,110
0.5	1.5	Other	5,000	1,372
100.0	100.0	**Total: Expenditure**	336,038	264,415
		Sources of Financing:		
15.4	20.0	Government of Canada Revenues	67,328	40,746
5.3	19.4	Provincial Revenues	65,147	13,965
79.3	60.6	Financial Requirement	203,563	209,704
100.0	100.0	**Total: Sources**	336,038	264,415

EXHIBIT IX

SUMMARY OF GROSS GOVERNMENT EXPENDITURE
CURRENT and CAPITAL
(By Sector)



(TOTAL EXPENDITURE: $2,825,060,000)

GROSS GOVERNMENT EXPENDITURE

	Estimate 1987-88 ($000)	Percentage of Total %
Sector Expenditure		
General Government	607,249	21.5
Resource	463,937	16.4
Social	1,753,874	62.1
Total: Expenditure	2,825,060	100.0
Source of Financing		
Provincial Revenues	1,244,780	44.1
Government of Canada Revenues	1,204,044	42.6
Financial Requirements	376,236	13.3
Total: Financing	2,825,060	100.0

GENERAL GOVERNMENT SECTOR

	Estimate 1987-88 ($000)	Percentage of Total %
Consolidated Fund Services	493,316	17.5
Executive Council	9,555	0.3
Finance	49,555	1.8
Legislature	8,167	0.3
Public Works and Services	46,656	1.6
Total: General Government Sector	607,249	21.5

SOCIAL SECTOR

	Estimate 1987-88 ($000)	Percentage of Total
Career Development and Advanced Studies	209,603	7.4
Consumer Affairs and Communications	2,598	0.1
Culture, Recreation and Youth	35,707	1.3
Education	457,596	16.2
Health	651,044	23.0
Justice	88,067	3.1
Labour	7,637	0.3
Municipal Affairs	109,662	3.9
Social Services	191,960	6.8
Total: Social Sector	1,753,874	62.1

RESOURCE SECTOR

	Estimate 1987-88 ($000)	Percentage of Total
Development and Tourism	43,909	1.6
Energy	79,903	2.8
Environment	9,705	0.3
Fisheries	30,999	1.1
Forest Resources and Lands	36,375	1.3
Mines	14,275	0.5
Newfoundland and Labrador Housing Corporation	13,925	0.5
Rural, Agricultural and Northern Development	39,014	1.4
Transportation	195,832	6.9
Total: Resource Sector	463,937	16.4

Exhibit X

SUMMARY OF SALARY COSTS BY DEPARTMENT

1987-88

Department	No. of Permanent Positions	Permanent Salaries	Temporary and Other Employees, Overtime, Other Earnings, etc.	Total
		$	$	$
Executive Council	188	5,741,400	649,900	6,391,300
Finance	334	8,385,400	1,410,500	9,795,900
Legislature	121	3,473,700	338,800	3,812,500
Public Works and Services	624	12,389,300	2,993,700	15,383,000
Development and Tourism	142	4,108,100	1,092,500	5,200,600
Energy	41	1,321,100	714,000	2,035,100
Environment	63	1,787,700	642,900	2,430,600
Fisheries	190	4,913,500	2,151,200	7,064,700
Forest Resources and Lands	321	6,943,900	5,132,500	12,076,400
Mines	76	2,389,000	2,157,200	4,546,200
Rural, Agricultural and Northern Development	270	6,787,300	2,328,200	9,115,500
Transportation	1,714	37,363,900	12,716,300	50,080,200
Career Development and Advanced Studies	609	19,353,300	4,782,500	24,135,800
Consumer Affairs and Communications	64	1,632,700	103,700	1,736,400
Culture, Recreation and Youth	292	6,876,400	4,091,300	10,967,700
Education	253	7,043,600	1,202,700	8,246,300
Health	1,358	31,235,000	8,093,100	39,328,100
Justice	1,286	37,279,200	6,055,500	43,334,700
Labour	151	4,267,000	750,100	5,017,100
Municipal Affairs	184	4,624,000	314,600	4,938,600
Social Services	813	19,231,300	37,128,300[1]	56,359,600
TOTAL	9,094	227,146,800	94,849,500[2]	321,996,300[3]
Less: Capital Account Salary Expenditure		(6,921,000)	(229,900)	(7,150,900)
Total: Current Account Salary Expenditure		220,225,800	94,619,600	314,845,400

[1] Includes $30.1 million for salary expenditures for employment initiatives under the Community Development and Employment Enhancement programs.

[2] Includes $10.4 million to cover an additional bi-weekly payday.

[3] Includes $39.8 million for various cost shared salary expenditures.

Exhibit XI

ESTIMATED INTEREST AND DEBT RETIREMENT 1987-88

Term	Series	Amount Outstanding	Interest Rate	Sinking Fund Rate	Interest	Sinking Fund	Debt Redemption
			%	%	$	$	$
Payable in Canadian Dollars:							
1961/91	OO	5,000,000	6	1¾	300,000	87,500	
1964/88	WW	10,500,000	5½	3	577,500	315,000	
1965/90	ZZ	7,000,000	6	2¾	420,000	192,500	
1966/91	3C	13,000,000	6¼	3	812,500	390,000	
1966/89	3D	5,000,000	6½	3	325,000	150,000	
1967/92	3E	10,000,000	6¾	2½	675,000	250,000	
1967/90	3F	15,000,000	6½	2½	975,000	375,000	
1967/92	3G	15,000,000	6½	2½	975,000	375,000	
1967/87	3J	5,000,000	7¼	—	362,500		
1968/88	3L	12,500,000	7½	—	937,500		
1969/89	3P	4,586,000	8¼	2½	378,300	114,700	
1970/90	3Q	5,033,000	9½	1½	478,100	75,500	
1970/90	3T	4,244,000	9¼	1½	392,600	63,700	
1970/90	3U	5,250,000	9¾	1½	511,900	78,800	
1970/90	3V	3,512,000	9¼	1½	324,900	52,700	
1970/90	3W	6,000,000	9¾	1½	585,000	90,000	
1972/91	4B	1,500,000	7½	2½	112,500	37,500	
1972/92	4F	1,624,000	8¼	1½	134,000	24,400	
1972/93	4H	20,000,000	8⅛	2	1,625,000	400,000	
1973/93	4J	20,000,000	8	2	1,600,000	400,000	
1973/94	4K	20,000,000	8½	1½	1,700,000	300,000	
1973/94	4L	20,000,000	8⅞	1½	1,775,000	300,000	
1974/95	4Q	15,000,000	10½	1½	1,575,000	225,000	
1975/96	4R	25,000,000	10	1½	2,500,000	375,000	
1975/95	4U	20,000,000	10⅜	1½	2,075,000	300,000	
1975/96	4V	1,296,000	10½	1½	136,100	19,400	
1976/97	4X	30,000,000	10¾	1½	3,225,000	450,000	
1977/99	4Z	35,000,000	10	2	3,500,000	700,000	
1977/98	5B	50,000,000	10	2	5,000,000	1,000,000	
1979/87	5C	50,000,000	11¼	—	5,625,000		50,000,000
1980/88	5F	3,000,000	11¼	—	337,500		
1980/91	5G	2,000,000	11¼	—	225,000		
1982/88	5J	55,000,000	16⅜	—	9,006,300		55,000,000
1982/2002	5K	50,000,000	14¾	2	7,375,000	1,000,000	
1983/2003	5L	125,000,000	12⅞	2	16,093,800	2,500,000	
1984/89	5M	90,000,000	Floating	—	8,550,000		
1984/2004	5N	100,000,000	13½	2	13,500,000	2,000,000	
1985/95	EU8 (i)	75,000,000	11⅜	2	11,406,300	2,016,800	
1985/97	5P	80,000,000	10¼	—	8,200,000		
1986/2006	5Q	100,000,000	11	2	11,000,000	2,000,000	
1986/2001	EC3	100,000,000	10	2	10,000,000	2,000,000	
1987/2010	5R	100,000,000	9⅜	2	9,375,000	2,000,000	
					144,682,300	20,658,500	105,000,000
Payable in United States Dollars:							
1967/87	3H	15,000,000	7	—	1,422,800		
1971/96	3Y	25,000,000	8¾	2	2,964,100	677,500	
1972/90	3Z	5,625,000	8	—	609,800		2,540,600
1972/97	3Z	35,000,000	8⅜	2	3,971,800	948,500	
1973/98	4M	40,000,000	8½	1½	4,607,000	813,000	
1974/99	4N	74,995,000	10¾	1½	10,924,000	1,524,300	
1975/2000	4S	50,000,000	10⅞	1½	7,367,800	1,016,300	

Exhibit XI

ESTIMATED INTEREST AND DEBT RETIREMENT 1987-88 (Cont'd)

Term	Series	Amount Outstanding	Interest Rate	Sinking Fund Rate	Interest	Sinking Fund	Debt Redemption
			%	%	$	$	$
Payable in United States Dollars (Cont'd):							
1976/2001	4W	50,000,000	10½	1½	7,113,800	1,016,300	
1976/2001	4Y	50,000,000	10	1½	6,775,000	1,016,300	
1977/89	EU1	42,547,000	9	—	5,188,600		1,693,800
1977/2002	AB	75,000,000	9⅛	2	9,273,300	2,032,500	
1978/90	EU2	41,643,000	9¼	—	5,219,400		1,693,800
1978/93	J2	50,000,000	9¾	—	6,605,600		9,485,000
1979/94	EU3	42,000,000	10	—	5,691,000		1,355,000
1981/90	EU4	36,000,000	13½	—	6,585,300		10,840,000
1981/89	EU5	60,000,000	17¼	—	14,024,300		82,926,000
1981/91	AC	100,000,000	15	2	20,325,000	2,710,000	
1982/90	EU6	75,000,000	15½	—	15,751,900		
1982/92	AD	100,000,000	13⅞	2	18,800,600	2,710,000	
1983/93	S2 (ii)	45,025,420	13.07	—	7,973,900		
1984/91	EU7	75,000,000	13	—	13,211,300		
1986/96	AE	100,000,000	8½	2	11,517,500	2,710,000	
Anticipated	1987/88				6,266,900		
					192,190,700	17,174,700	110,534,200
Payable in Deutsche Marks:							
1972/87	G-5	13,063,000	6¾	—	643,700		9,536,000
1973/88	G-6	26,408,000	6½	—	1,253,100		9,906,800
					1,896,800		19,442,800
Payable in Japanese Yen:							
1984/94	J3	7,000,000,000	8.1	—	4,806,300		
1985/95	J4	15,000,000,000	7.4	—	9,512,500		
					14,318,800		
Payable in Swiss Francs:							
1985/2000	S3	150,000,000	5⅜	—	7,014,400		
					7,014,400		
					360,103,000	37,833,200	234,977,000
Canada Pension Plan:							
1967/68	3A	12,000,000	5.27-6.53	2	501,300		
1968/69	3A	14,237,000	6.40-7.17	2	957,200	284,700	
1969/70	3A	15,557,000	7.16-8.33	2	1,188,300	311,100	
1970/71	3A	16,829,000	6.79-8.14	2	1,311,600	336,600	
1971/72	3A	17,602,000	6.75-7.54	2	1,245,400	352,000	
1972/73	3A	19,000,000	7.06-7.51	2	1,398,400	380,000	
1973/74	3A	21,690,000	7.30-7.75	2	1,633,300	433,800	
1974/75	3A	25,818,000	7.61-9.25	2	2,207,200	516,400	
1975/76	3A	29,429,000	8.21-9.48	2	2,631,800	588,600	
1976/77	3A	30,988,000	8.73-9.25	2	2,790,000	619,800	
1977/78	3A	33,037,000	8.77-9.37	2	3,001,000	660,700	
1978/79	3A	36,622,000	9.35-10.16	2	3,499,500	732,400	
1979/80	3A	40,070,000	9.98-12.74	2	4,242,100	801,400	

Exhibit XI

ESTIMATED INTEREST AND DEBT RETIREMENT 1987-88 (Cont'd)

Term	Series	Amount Outstanding	Interest Rate	Sinking Fund Rate	Interest	Sinking Fund	Debt Redemption
			%	%	$	$	$
Canada Pension Plan (Cont'd):							
1980/81	3A	42,645,000	11.61-13.46	2	5,416,800	852,900	
1981/82	3A	52,973,000	13.66-17.51	2	8,173,600	1,050,500	
1982/83	3A	52,104,000	12.01-16.53	2	7,645,000	1,042,100	
1983/84	3A	50,738,000	10.92-12.14	2	5,882,300	1,014,800	
1984/85	3A	47,146,000	12.08-14.06	2	6,303,100	942,900	
1985/86	3A	50,570,000	10.58-12.57	2	5,806,900	1,011,400	
1986/87	3A	59,659,000	9.36-10.17	2	5,735,200	1,203,600	
1987/88	3A	52,100,000	—	—	1,856,300		
					73,426,300	13,144,700	
Government of Canada:							
1971/91	4A	4,401,000	7.14	1	314,200	44,000	
1972/92	4C	1,899,000	6.90	1	131,000	19,000	
1972/92	4D	400,000	6.90	1	27,600	4,000	
1973/93	4I	3,661,200	7.28	1	266,500	36,600	
Winter Capital Projects		3,827,200	7.44-9.40		303,400		
CMHC Loans		23,116,186	5.75-14.75		2,023,100		330,900
DRIE		42,810,135	5.77-9 72		3,581,800		2,666,800
					6,647,600	103,600	2,997,700
Deduct: Sinking Fund Surpluses on 3J, 3L, 3H, CPP							26,720,000
TOTAL					440,176,900	51,081,500	211,254,700

EXCHANGE RATES USED IN CONVERSION

U.S. . . . . 1.3550 Cdn.
D.M. . . . . .7300 Cdn.
Yen . . . . . .0085 Cdn.
S.F. . . . . .8700 Cdn.

(i) Exchange rate for series EU8 fixed at 1.3370 under a forward exchange contract.

(ii) Series S2 represents a 100 million Swiss Franc issue which has interest and principal repayments swapped into U.S. dollars.

Exhibit XII

DETAILS OF CAPITAL EXPENDITURES
ESTIMATES 1987-88

Activity No.	Details	Gross Expenditure	Related Revenue	Net Expenditure
		$	$	$
CONSOLIDATED FUND SERVICES				
1.3.02	Issues under Guarantee (Statutory)	450,000	1,000	449,000
TOTAL		450,000	1,000	449,000
EXECUTIVE COUNCIL				
1.1.03	Government House	55,000	—	55,000
TOTAL		55,000	—	55,000
FINANCE				
1.2.03	Debt Expenses, NLC Building (Statutory)	252,000	—	252,000
2.1.06	Industrial Assistance — Recoveries	—	6,533,900	(6,533,900)
2.1.07	Governor's Park Inc.	1,000,000	—	1,000,000
2.1.08	Hope Brook Gold Inc.	4,000,000	—	4,000,000
2.1.09	Newfoundland Industrial Development Corporation	—	1,940,000	(1,940,000)
2.1.10	Fishery Products International Ltd. — Recovery	—	48,700,000	(48,700,000)
2.1.11	Baie Verte Mines Inc.	2,950,000	—	2,950,000
2.1.12	Newfoundland and Labrador Computer Services Ltd.	2,500,000	—	2,500,000
TOTAL		10,702,000	57,173,900	(46,471,900)
PUBLIC WORKS AND SERVICES				
2.3.03	Alterations — Leased Accommodations	647,500	—	647,500
2.4.02	Alterations to Existing Facilities — Public Buildings	7,074,000	100,000	6,974,000
2.4.03	Development of New Facilities — Public Buildings	5,929,000	—	5,929,000
2.4.04	Improvements to Land and Property	1,839,700	—	1,839,700
2.4.05	Advanced Planning — Studies	60,000	—	60,000
3.4.02	C.A. Pippy Park Commission — Park Development	736,700	—	736,700
3.5.03	Realty Services	125,000	90,000	35,000
TOTAL		16,411,900	190,000	16,221,900
DEVELOPMENT AND TOURISM				
2.2.02	Ocean Industry Development	2,000,000	—	2,000,000
4.2.07	Pulp and Paper Modernization	1,000,000	—	1,000,000
4.2.08	Burin Peninsula Development Fund	1,928,000	—	1,928,000
4.3.03	Newfoundland & Labrador Development Corporation — Loan Fund	2,600,000	—	2,600,000
4.3.04	Newfoundland & Labrador Development Corporation — Venture Capital	1,000,000	—	1,000,000
4.3.05	Newfoundland & Labrador Development Corporation — Business Equity	2,000,000	—	2,000,000
4.3.06	Newfoundland & Labrador Development Corporation — Youth Entrepreneurship	500,000	—	500,000
5.2.02	Accommodations Development	1,000,000	300,000	700,000
5.2.03	Tourist Facilities	100,000	—	100,000
5.2.04	Convention Centre	250,000	—	250,000
5.2.05	Travel Generators	720,000	240,000	480,000
TOTAL		13,098,000	540,000	12,558,000
ENERGY				
2.2.02	Offshore Development Fund — Development of Infrastructure	18,000,000	13,500,000	4,500,000
2.3.02	Canada/Newfoundland Offshore Petroleum Board	900,000	—	900,000
2.5.05	Woodfuel Development	500,000	—	500,000
2.6.03	Industrial Incentives — Hope Brook Gold Inc.	10,000,000	—	10,000,000
TOTAL		29,400,000	13,500,000	15,900,000

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DETAILS OF CAPITAL EXPENDITURES
ESTIMATES 1987-88

Activity No.	Details	Gross Expenditure	Related Revenue	Net Expenditure
		$	$	$
FISHERIES				
2.2.02	Administration—Construction of Fishing Facilities	200,000	—	200,000
2.2.03	Marine Service Centres	2,360,000	—	2,360,000
2.2.04	Fishermen's Facilities	1,419,500	—	1,419,500
2.2.05	Fisheries Access Roads	250,000	—	250,000
2.2.06	Extension of Electrical Services	100,000	—	100,000
2.2.07	Community Projects	350,000	—	350,000
2.2.08	Fisheries Initiatives—ERDA	3,000,000	2,100,000	900,000
3.1.05	Fishing Vessels	196,000	—	196,000
5.1.03	Incentives and Assistance—Fisheries Loan Board	5,500,000	4,000,000	1,500,000
5.1.04	Fishing Boat Bounties—Fisheries Loan Board	1,500,000	—	1,500,000
TOTAL		14,875,500	6,100,000	8,775,500
FOREST RESOURCES AND LANDS				
2.2.04	Forest Utilization	263,000	182,800	80,200
2.3.03	Resource Roads—Construction	2,134,200	1,258,600	875,600
2.4.05	Forest Protection Equipment	50,000	—	50,000
2.4.06	Water Bomber Fleet	100,000	—	100,000
2.5.03	Forestry Nursery Facilities	233,000	161,900	71,100
3.2.02	Cottage Land Development	146,000	146,000	—
TOTAL		2,926,200	1,749,300	1,176,900
MINES				
2.3.04	Hope Brook Gold Inc.	5,500,000	—	5,500,000
2.3.05	Core Storage Building	100,000	—	100,000
TOTAL		5,600,000	—	5,600,000
NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION				
1.1.02	Housing Acquisitions and Loans	1,535,000	—	1,535,000
2.1.01	Residential and Industrial Land	965,000	—	965,000
TOTAL		2,500,000	—	2,500,000
RURAL, AGRICULTURAL AND NORTHERN DEVELOPMENT				
2.2.06	Rural Development Authority	4,200,000	2,500,000	1,700,000
3.1.05	Land Development	770,000	20,000	750,000
3.1.06	Livestock Feed Initiatives — ALFI	1,300,000	1,079,000	221,000
3.3.06	Farm Development Grants	500,000	—	500,000
3.3.07	Farm Development Loan Board	1,500,00	700,000	800,000
3.4.02	Construction and Alterations—Newfoundland Farm Products Corporation	200,000	—	200,000
3.5.09	Veterinary College, P.E.I.	29,000	—	29,000
3.5.10	Veterinary Facilities	25,000	—	25,000
4.1.03.	Depot Buildings	928,900	225,500	703,400
TOTAL		9,452,900	4,524,500	4,928,400
TRANSPORTATION				
2.2.05	Highway Depots—Facilities	1,979,900	—	1,979,900
2.3.04	Vehicles and Equipment	5,200,000	200,000	5,000,000
3.1.01	Administrative Support—Planning & Support Services	1,405,200	—	1,405,200
3.1.02.	Planning and Research	317,400	—	317,400
3.1.03.	Soils and Paving	418,000	—	418,000

Exhibit XII

DETAILS OF CAPITAL EXPENDITURES
ESTIMATES 1987-88

Activity No.	Details	Gross Expenditure	Related Revenue	Net Expenditure
		$	$	$
TRANSPORTATION (Cont'd)				
3.1.04	Highway Design	1,033,600	—	1,033,600
3.1.05	Pre-Engineering	600,300	—	600,300
3.2.01	Improvement and Construction — Roads	22,050,000	25,000	22,025,000
3.2.02	Road and Bridge Rehabilitation	13,700,000	—	13,700,000
3.2.03	Bridges and Causeways	4,250,000	—	4,250,000
3.2.04	Highways — Transport Canada	36,100,000	23,563,000	12,537,000
3.2.05	Access Roads — Offshore Fund	600,000	450,000	150,000
3.2.06	New Roads in Unincorporated Areas	50,000	—	50,000
3.2.07	Land Acquisition	2,400,000	—	2,400,000
3.3.01	Pedestrian Crosswalks	50,000	—	50,000
3.3.02	Guiderails	100,000	—	100,000
4.2.03	Air Strips	2,125,000	2,125,000	—
4.3.05	Ferry Terminals	600,000	—	600,000
4.3.06	Ferry Vessels	923,000	—	923,000
4.4.04	Aircraft Acquisition — Water Bombers	10,375,000	—	10,375,000
4.4.05	Hanger Facilities	740,000	—	740,000
TOTAL		105,017,400	26,363,000	78,654,400
CAREER DEVELOPMENT AND ADVANCED STUDIES				
2.2.02	Furnishings and Equipment — Memorial University	5,600,000	—	5,600,000
2.2.04	Sir Wilfred Grenfell College	2,148,500	—	2,148,500
2.2.06	Centre for Earth Resources — Offshore Fund	7,000,000	5,250,000	1,750,000
2.2.08	Centre for Remote Medicine & Telemedicine — Offshore Fund	1,000,000	750,000	250,000
2.2.09	School of Business	2,850,000	—	2,850,000
2.2.10	Various Buildings — Memorial University	600,000	—	600,000
2.3.02	Furnishings and Equipment — Cabot Institute	250,000	—	250,000
2.3.03	Building Renovations — Cabot Institute	100,000	—	100,000
2.3.04	Petroleum Technology Training — Offshore Fund	2,100,000	1,575,000	525,000
2.4.02	Furnishings and Equipment — Fisher Institute	50,000	—	50,000
2.4.03	Institute Facilities — Fisher Institute	1,069,100	—	1,069,100
2.5.02	Furnishings and Equipment — Institute of Fisheries & Marine Technology	450,000	—	450,000
2.5.03	Survival Centre — Offshore Fund	2,000,000	1,500,000	500,000
2.5.04	Petroleum Technology Training — Offshore Fund	200,000	150,000	50,000
2.5.05	Aquaculture Initiatives — Institute of Fisheries and Marine Technology	250,000	—	250,000
2.5.06	Institute Facilities — Institute of Fisheries and Marine Technology	2,585,000	1,680,000	905,000
2.6.06	Furnishings and Equipment — Community Colleges	1,800,000	—	1,800,000
2.6.07	Equipment — Offshore Fund	1,500,000	1,125,000	375,000
2.6.08	Petroleum Technology Training — Offshore Fund	1,700,000	1,275,000	425,000
2.6.09	Community Colleges — Facilities	3,220,500	—	3,220,500
TOTAL		36,273,100	13,305,000	22,968,100

Exhibit XII

DETAILS OF CAPITAL EXPENDITURES
ESTIMATES 1987-88

Activity No.	Details	Gross Expenditure	Related Revenue	Net Expenditure
		$	$	$
CULTURE, RECREATION AND YOUTH				
2.1.06	Community Sports Facilities	2,974,000	—	2,974,000
2.2.04	Provincial Sports Facilities	795,000	—	795,000
2.3.05	Park Planning and Development	481,300	68,700	412,600
2.3.06	National Parks	22,000	11,000	11,000
2.4.07	Salmonier Nature Park	47,000	—	47,000
3.1.07	Support for Cultural Activities	30,000	—	30,000
3.1.08	Newfoundland Public Libraries Board	200,000	—	200,000
3.1.09	Arts and Culture Facilities	125,000	—	125,000
3.2.08	Historic Sites Development	40,000	40,000	—
3.2.09	Newfoundland & Labrador Heritage Foundation	150,000	—	150,000
3.2.10	Historic Resource Facilities	1,422,000	—	1,422,000
3.3.04	Youth Services	15,000	—	15,000
TOTAL		6,301,300	119,700	6,181,600
EDUCATION				
2.1.10	Building and Equipping Schools	21,500,000	—	21,500,000
2.2.06	Bilingual Facilities	1,700,000	1,700,000	—
3.3.03	Newfoundland School for the Deaf	1,300,000	—	1,300,000
TOTAL		24,500,000	1,700,000	22,800,000
HEALTH				
4.6.02	Hospital Equipment	7,300,000	—	7,300,000
4.6.03	Community Clinics	100,000	—	100,000
4.6.04	Leonard A. Miller Centre	200,000	—	200,000
4.6.05	Janeway Child Health Centre	150,000	—	150,000
4.6.06	Health Sciences Centre	200,000	—	200,000
4.6.07	Central Newfoundland Hospital	8,000,000	—	8,000,000
4.6.08	Clarenville Hospital	100,000	—	100,000
4.6.09	Burin Peninsula Hospital	2,300,000	—	2,300,000
4.6.10	St. Anthony Hospital	250,000	—	250,000
4.6.12	Sir Thomas Roddick Hospital	500,000	—	500,000
4.6.13	Waterford Hospital	160,000	—	160,000
4.6.14	Buchans Hospital	75,000	—	75,000
4.6.15	Western Memorial Hospital	800,000	—	800,000
4.6.17	St. Clare's Mercy Hospital	360,000	—	360,000
4.6.18	Other Medical Facilities	1,950,000	195,000	1,755,000
4.7.01	Rental Purchase — Harbour Lodge	4,100	—	4,100
4.7.02	Furnishings and Equipment — Long Term Special Care Facilities	945,000	—	945,000
4.7.03	Long Term Special Care Facilities	4,318,000	—	4,318,000
TOTAL		27,712,100	195,000	27,517,100

Exhibit XII

DETAILS OF CAPITAL EXPENDITURES
ESTIMATES 1987-88

Activity No.	Details	Gross Expenditure	Related Revenue	Net Expenditure
		$	$	$
JUSTICE				
3.1.06	Court Facilities—Supreme Courts	2,230,000	—	2,230,000
4.1.08	Police Protection Facilities	1,463,000	—	1,463,000
4.2.05	Firefighting Vehicles and Apparatus	120,700	20,700	100,000
4.2.06	Fire Protection Facilities	50,000	—	50,000
4.3.06	Adult Correction Facilities	11,000	—	11,000
TOTAL		3,874,700	20,700	3,854,000
MUNICIPAL AFFAIRS				
2.5.05	Community Water Services	800,000	—	800,000
2.5.06	Waste Management Facilities	719,000	—	719,000
2.5.07	Industrial Water Supply Systems	930,400	—	930,400
3.1.09	Municipal Councils	275,000	—	275,000
3.2.01	Road Construction & Paving	4,800,000	—	4,800,000
3.2.02	Firefighting Equipment	750,000	—	750,000
3.2.03	Recreational Facilities	213,400	—	213,400
3.2.04	Water and Sewer Systems	8,900,000	—	8,900,000
3.2.06	St. John's Regional Water and Sewer Servicing	567,000	—	567,000
3.2.07	Water and Sewer Servicing—Coastal Labrador	3,063,000	2,021,600	1,041,400
3.2.08	Channel - Port aux Basques Water Servicing	4,800,000	4,320,000	480,000
3.3.03	Disaster Assistance for Infrastructure	75,000	601,000	(526,000)
TOTAL		25,892,800	6,942,600	18,950,200
SOCIAL SERVICES				
2.2.05	Youth Correction Facilities	940,000	22,500	917,500
3.1.07	Rental Purchase—Exon House	55,500	27,900	27,600
TOTAL		995,500	50,400	945,100
TOTAL: CAPITAL ACCOUNT EXPENDITURES		336,038,400	132,475,100	203,563,300